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China Report

ECONOMIC AFFAIRS

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5 FEBRUARY 1987

CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL AFFAIRS, POLICY

DISCUSSION ON ENTERPRISE GROUPS, MONOPOLY, COMPETITION

Beijing GUANGMING RIBAO in Chinese 18 Oct 86 p 3

[Article in the Economics Column by Li Yining [0632 0110 1380]: "Enterprise Groups, Monopoly, and Competition"]

[Text] During the process of restructuring the system of ownership, one economic theory which warrants further studies is the relationship among enterprise groups, monopoly, and competition. This issue is significant because it pertains to the specific conditions for the development of the socialist commodity economy, and to the various kinds of socialist markets, but more important, it has to do with the way people feel about enterprise groups, and how they evaluate the economic conduct of these groups. Therefore it is meaningful for us to seriously consider this issue.

Enterprise groups are the product of horizontal economic integration of enterprises. This economic integration may be within the same region and the same economic sector, or it may be across different regions and different sectors. This kind of integration can be mainly within the realm of productions and sales, that is, the enterprises may merge their products, their technology, and their sales activities, to form a multilevel cooperative relationship. But this kind of integration may also reach into the realm of ownership, that is, it may involve merging or purchases of stocks through infiltration and merging of assets, and eventually form a hierarchy of controls consisting of the parent company, the subsidiaries, and the sub-subsidiaries. Both types of integration described above can give rise to enterprise groups: the former type is more loosely structured while the latter type is more tightly controlled. The enterprise groups formed as a result of any kind of integration can possibly lead to a higher degree of monopoly, and they can also lead to a higher degree of competition.

Do socialist enterprise groups necessarily lead to monopoly? We should say that the aforementioned possibilities are simultaneous. What we generally refer to as a monopoly, under extreme conditions, is when one large enterprise or enterprise group controls all, or the absolute majority, of the production and sales of a certain commodity and, therefore, is able to control the quantity of output, sales volume, and prices in order to maximize profits. If there are only a few large enterprises or enterprise groups in the economy controlling all or most of the production and sales of certain kinds of products, then through agreements or understandings, they can still

realize the goal of controlling the volume of output and sales and thus controlling the price. These situations are harmful not only to other enterprises but also to the consumers. We must acknowledge that, under the socialist economic system, if we do not restructure the system of ownership, if we remain within the traditional framework of public ownership, it does not mean that there is no monopoly, although they are not known as "monopoly," and instead they are known as "governmental business," or "bureaucratic operations," and so on. Under those conditions, we also have enterprise groups, only they are known not as "enterprise groups" but as "administrative companies," "regulatory controls," or "governmental rules," and so on. In fact, considering the negative effects of these "administrative companies," "regulatory controls," "governmental rules," and "bureaucratic operations" on market competitions, on the consumers, and on economic efficiencies, there is no substantial difference between these and the ill effects of monopoly. Therefore, we can at least say that even if subsequent to the restructuring of the ownership system the resulting enterprise groups should cause a higher degree of concentration in the economy, the situation may not be much worse than the "monopolistic" situation under the previous system of public ownership.

Monopoly is incompatible with the market mechanisms under perfect competition. Monopoly cannot exist if the market functions perfectly and there is free competition. Conversely, imperfect market mechanisms and the lack of competition will result in monopoly. This holds true in capitalistic societies as well as in socialist societies. Under socialist conditions, if the restructuring of the ownership system generates only integration and no competition, or if we adopt only the policies of promoting enterprise groups without promulgating regulations to preserve competition among enterprises, then not only will the existing monopolistic phenomena persist, they will worsen. If, in the process of restructuring the system of ownership, however, we start with perfecting the market mechanism and eliminating the various artificial obstacles blocking the free flow of goods and productive essentials, and if we really practice the separation of politics and enterprises, so that every enterprise and every enterprise group must necessarily consider the pressure of competition, then even if we cannot completely avoid the occurrence of monopoly in the future, we can at least increase competition so as to reduce the extent of monopoly.

Let us carry this analysis further. Assume that as a result of the restructuring of the system of ownership, enterprise groups are formed. There are two possible situations: first, within the same region or same economic sector, there are two or more large enterprises or enterprise groups; or, within the same region or same sector, there are several large enterprises or enterprise groups. We must admit that either situations can constitute a monopoly although they are different from the kind of monopoly where there is only one enterprise or enterprise group (absolute monopoly). The first situation is analogous to an oligopolistic market, the second situation is analogous to a market with monopolistic competition. We need not deny the possibilities of these situations, nor should we deny the fact that prices under either condition (oligopolistic price or monopolistic-competitive price) will be higher than prices under perfect competition conditions

(perfectly competitive price). Nevertheless, as long as there is a certain degree of competition among the enterprises or enterprise groups, we are still better off than under the condition of a monopoly by a single enterprise or enterprise group. Therefore, in restructuring the system of ownership, we need not fear integrations, or limit integrations, or prohibit the formation of enterprise groups, but instead we should try to increase the competition between the enterprises and enterprise groups, and prevent them from entering into collusions to exclude others from legitimate business activities, and insure that there is healthy competition among the enterprises within the scope of the law.

In conclusion, we must further study the economic behavior of the enterprise groups subsequent to the restructuring of the ownership system, and study the various changes in the market as a result of the emergence of enterprise groups, and then seek effective measures as needed. So long as horizontal economic integrations continue to develop, and so long as the scope of an economy based on stock ownership continues to expand, it will be difficult to reverse the trend toward enterprise groups. But we need not be so worried that we fail to take the first step toward tackling the issue of enterprise groups.

12986/12828

CSO: 4006/116

NATIONAL AFFAIRS, POLICY

WUHAN EXPERIMENTS WITH FINANCIAL SYSTEM REFORM

OW230550 Beijing XINHUA in English 0228 GMT 23 Dec 86

["Wuhan Money Market: A Step Forward in Financial Reform"--XINHUA headline]

[Text] Wuhan, 23 December (XINHUA)--When the Hubei Provincial Agricultural Bank discovered it had deposits of 40 million yuan that would not be used for three months, it lent it to other banks instead of letting it sit idle.

It is among the 2.2 billion yuan (about 600 million U.S. dollars) borrowed and lent on a money market in Wuhan, capital of Hubei Province, in the first month after it officially opened.

Wuhan is one of the five cities designated to experiment with reforms of its financial system. The aim is to promote the flow of money between different banks and localities and gradually form an inter-bank, regional money market. The other cities are Guangzhou, Chongqing, Shenyang and Changzhou.

Except inter-bank loans, the Wuhan money market offers such services as discount of bills and stock exchange. It also helps the borrowing and lending of foreign exchange among different units.

Zhang Jing, vice-president of the Wuhan branch of the People's Bank of China, said commodity production has developed rapidly in Wuhan in the past several years. But, the existing financial system which allows no money circulation between different banks and localities hampered the use of funds and slowed industrial development.

The Industrial and Commercial Bank of Xiaogan City, also in Hubei, once needed funds to buy raw materials for the city's enterprises. The bank borrowed five million yuan from the Hubei Agricultural Bank when it found itself short of cash.

The Wuhan Washing Machine Plant once could not afford one million U.S. dollars to import materials. It got 800,000 U.S. dollars from the money market to meet its needs.

After an investigation, Shen Rixin, a financial expert from the People's Bank of China, said the Wuhan money market has set two good examples.

First, it has reformed the existing system under which credit funds were not allowed to flow between different banks, regions, departments and industries. Second, it has helped relieve loan pressure from specialized banks on the People's Bank of China, the country's central bank. This will gradually force specialized banks to find funds on money markets instead of waiting for their allocation from the central bank, he said.

In September this year, Chen Muhua, president of the People's Bank of China, said the financial reform in the next two years will focus on overall financial control, interest rates and the streamlining of financial organizations, short-term money markets and the administration of foreign exchange.

In October this year, the Wuhan City People's Bank together with financial institutions from 27 big and medium-sized cities along the Yangtze River Valley, including Shanghai, Nanjing, Hangzhou and Chongqing, established a financial network to promote the exchange of funds.

These cities generate about one-fourth of China's total industrial output value and have credit funds of more than 100 billion yuan.

The Wuhan No 2 Motor Vehicle Plant, China's largest, once lacked circulation funds. It borrowed 30 million yuan for a three-month term from the money market to solve its problem.

Since March this year, Wuhan financial institutions have lent 50 million yuan of short-term funds to other parts of the country.

Furthermore, Wuhan has also established financial relations with another 10 cities throughout the country, including Zhuhai and Shenzhen, two special economic zones in Guangdong Province.

In Wuhan, 16 urban collectively-owned credit cooperatives which are responsible for their own profits and losses have been set up, offering services to collective, small and individual businesses.

Up to now, 320 enterprises in the city have issued bonds worth 120 million yuan to factory workers and individuals. This is another reform of the existing financial system, aimed at opening more channels to funds.

/12858

CSO: 4020/83

NATIONAL AFFAIRS, POLICY

BRIEFS

QUALITY CONTROL OF IMPORTS STRESSED--Beijing, 14 December (XINHUA)--China will continue to import goods from other countries while stepping up inspection of imported items, according to State Councillor Zhang Jingfu. He told a meeting yesterday that chemical fertilizer, rolled steel, timber, non-ferrous metals, means of transportation, telecommunications and port equipment will be imported in addition to advanced technology to ensure the development of China's industry and agriculture. China spends 30 billion U.S. dollars on imports every year and this sum of foreign exchange must be used properly, he indicated. During the 1981-85 period, 10 percent of China's imported goods were found to be substandard through examination and the country claimed compensations exceeding 500 million U.S. dollars. The compensations totalled 90 million U.S. dollars in the first half of this year alone. The state councillor urged stricter inspection and examination of imported goods by various organizations. [Text] [Beijing XINHUA in English 0214 GMT 14 Dec 86 OW] /12858

CSO: 4020/83

PROVINCIAL AFFAIRS

SHANGHAI IMPROVES ECONOMIC LEGAL SYSTEM

OW220808 Beijing XINHUA in English 0708 GMT 22 Dec 86

[Text] Beijing, 22 December (XINHUA)--More than 190 local economic and administrative regulations have been issued in China's biggest industrial city, Shanghai, in the past two years, 16 of which concern with economic and technical cooperations between the municipality and overseas.

A senior official from Shanghai told XINHUA today that these regulations have played an important role in guaranteeing the smooth advance of reform in the economic structure and improving environment for foreign investment as well as in promoting economic exchanges between Shanghai and inland provinces and autonomous regions.

The official is now here attending the ongoing Second National Conference on Publicizing Law Among All Chinese Citizens.

The 16 regulations on foreign-oriented economic relations were formulated to govern the use of land by foreign investors in Shanghai, provide specific preferential treatment for foreign investors and prescribe procedures for application and approval of enterprises using foreign investment, the official said.

From early 1985 to the end of last September, Shanghai approved 203 projects using 1.44 billion U.S. dollars of direct foreign investment, 2.8 times more than that in 1984.

Within the last two years, Shanghai also ran 3,500 cooperative projects with other provinces and municipalities while approving 700 enterprises independently run by inland areas in the city. All this, the official said, has helped form trans-regional enterprise groups involving different industries.

Regulations on harbor construction and management have made the Shanghai harbor one of the ten largest harbors in the world, with an annual handling capacity of 110 million tons.

The city government tried hard this year to inspect the implementation of the regulations, with a view to punishing those who violated them.

The official attributed the achievements of the city in improving its economic legal system largely to the nationwide drive to publicize laws among all the Chinese citizens. More than 100 party and government officials at the municipal level of the city including party Secretary Rui Xingwen and Mayor Jiang Zemin all took part in law courses. Over one million Shanghai citizens have passed law exams and more than 3,000 factory directors and managers have become experts in economic management through their legal training.

Lawyers have retained as legal advisors in 4,200 enterprises last year. [as received] They helped enterprises recover losses worth 130 million yuan. Lawyers in the city are also authorized to participate in negotiating all contracts with foreign countries involving investment over five million U.S. dollars.

/12858

CSO: 4020/85

PROVINCIAL AFFAIRS

BRIEFS

COMMENTS ON TOTAL PRODUCTION GROWTH--Beijing, 22 December (XINHUA)--Beijing municipality is expected to achieve a 6.9 percent increase in its total social output this year, said Vice Mayor Han Boping. Allowing price increases, the capital's residents have enjoyed a net pay rise of 8.1 percent on the average this year, said Han at a press conference today. Han said the capital is expected to earn 700 million U.S. dollars from exports this year, a record for the city. Up to now, said Han, the capital has 168 foreign-funded enterprises with a total investment of 2.04 billion U.S. dollars, and has signed 1,100 contracts involving 1.16 billion U.S. dollars to introduce advanced technology to upgrade the city's electronic, light, textile, food processing, construction materials and other industries.

[Text] [Beijing XINHUA in English 1541 GMT 22 Dec 86 OW] /12858

CSO: 4020/85

ECONOMIC STATISTICS

BRIEFS

RETAIL SALES UP--Beijing, 18 December (XINHUA)--China's retail sales this year is expected to reach 495 billion yuan, up 15 percent or nine percent in real terms over last year, according to the State Statistical Bureau. Retails of food is expected to increase by 16.4 percent this year to 233.1 billion yuan, clothing, by four percent to 74.6 billion yuan, and goods for daily use, by 20 percent to 129.7 billion yuan. Retail sales of farm production equipment and materials will total 57.6 billion yuan, up 14 percent over last year. The bureau's statistics showed that the needs of Chinese peasants were far from being satisfied. A bureau official said that the general price level of retail goods has been controlled within the anticipated range, but he made no further details. [Text]
[Beijing XINHUA in English 1554 GMT 18 Dec 86 OW] /12858

CSO: 4020/85

FOREIGN TRADE, INVESTMENT

FUJIAN ENTERPRISES WITH OVERSEAS CHINESE INVESTMENT FLOURISH

Beijing GUOJI SHANGBAO in Chinese 20 Oct 86 p 2

[Article by special correspondent Zhang Mingqing [1728 6900 3237]: "Fujian Enterprises With Overseas Chinese Investment Have Grown Quickly and Achieved Good Results"]

[Text] Fujian Province now has 654 enterprises, which were established with overseas Chinese investment. They have attracted 539 million yuan of overseas Chinese capital and played an active role in developing Fujian's economy and increasing its exports.

Five percent of the capital which Fujian Province has invested in construction since it opened to the outside world has come from abroad. Over the last 7 years, enterprises with overseas Chinese investment throughout Fujian have realized an output value of 1.6 billion yuan and net profits of over 82.3 million yuan, while creating over \$53 million in foreign exchange from exports. In 1985, the output value of Fujian enterprises with overseas Chinese investment was almost 100 million yuan, or 4 percent of the GVIAO throughout Fujian.

Along with overseas Chinese capital, Fujian has also imported advanced technology which is up to world standards of the late 1970's and early 1980's. This has helped old enterprises to transform their technology and replace their products, filled in the gaps in certain domestic technologies and products, and enhanced the ability of enterprises to create foreign exchange. The navigation and communication instruments imported by the Xiamen Transportation Electronics Instrument Co, Ltd, and the heat sensitive film machinery, imported by the Fujian Overseas Chinese Enterprise Co, are all up to current advanced international standards. Since the Fuzhou Ferroalloy Mill imported five production lines, it has turned its losses into profits and doubled and redoubled its output value, taxes, and profits. The Putian County Fuxiang Rubber Mould Co, Ltd, which engages in economic cooperation both domestically and abroad achieved results in the same year that it imported over 80 pieces of advanced equipment. After a year of operation, it had realized an output value of 5 million yuan and profits of over 500,000 yuan, while creating over \$600,000 of foreign exchange from exports.

12267/9190

CSO: 4006/120

FOREIGN TRADE, INVESTMENT

TIANJIN INTRODUCES MEASURES TO ENCOURAGE FOREIGN INVESTMENT

Beijing GUANGMING RIBAO in Chinese 13 Oct 86 p 1

[Article by Wang Lihua [3769 5461 5478]: "Tianjin Municipality Has Adopted the First Group of New Measures To Encourage Foreign Investment; It Has Made Preparations To Establish an Administrative Service Center for Foreign Investment Throughout the Municipality"]

[Text] After the State Council's "Provisions for the Encouragement of Foreign Investment" were issued on 11 October 1986, a government spokesman for Tianjin Municipality announced to the press the first group of measures that have been adopted by Tianjin Municipality.

--The Foreign Economic Relations and Trade Commission of Tianjin Municipality has examined and ratified a measure for the first group of Chinese-foreign joint export ventures to enjoy explicit new preferential treatment according to the "Provisions." It applies to 16 joint ventures, such as the Dazhong Pharmaceutical Co, Ltd, the China-France Wine Co, Ltd, and the Tianjin Liming Cosmetics Industrial Corp.

--Tianjin has adopted a positive approach and effective measures to help Chinese-foreign joint projects which are currently under discussion to raise their work efficiency and solve various problems. In 1986, it will strive to renegotiate, ratify, and implement as quickly as possible contracts for a group of enterprises with foreign investment.

--Tianjin has made positive preparations to establish an administrative service center for foreign investment throughout the municipality. It will be under the direct supervision of the municipal government, and will centralize and apply the administrative authority for managing foreign investment, which is now dispersed among various departments. It will have the necessary authority to effectively overcome present work disadvantages, such as too many departments, formalities, and links, inefficiency, and reliance on people instead of laws, which have caused the greatest headaches for foreign investors. It will raise administrative efficiency, simplify all formalities, and make things more convenient for foreign investors and joint ventures with various services, such as advice, legal service, accounting and auditing services, project construction service, goods and materials supply, foreign trade service, and tourist information.

In addition, in order to help enterprises with foreign investment advertise for and dismiss staff members and workers and achieve an appropriate solution to their labor insurance problems, the relevant municipal departments are making positive preparations to establish a labor service company, a labor insurance company, and an arbitration council to solve labor disputes. They are also making positive preparations to establish a service company to facilitate the supply of goods and materials to enterprises with foreign investment.

12267/9190

CSO: 4006/120

DOMESTIC TRADE

ANHUI ECONOMIC TIES WITH NORTHEASTERN PROVINCES ESTABLISHED

Hefei ANHUI RIBAO in Chinese 12 Oct 86 p 1

[Article from the Anhui Cooperation Office: "Anhui Province and the Three Northeastern Provinces Have Established Economic Ties; They Have Increased their Contacts, Expanded Their Cooperation, and Grown Side by Side; an Anhui Government Delegation Has Visited and Signed a Number of Formal Agreements and Agreements of Intent with the Three Fraternal Northeastern Provinces and Qinhuangdao City"]

[Text] At the invitation of the People's Governments of Heilongjiang, Jilin, and Liaoning provinces and Hebei Province's Qinhuangda City, Comrade Guo Tixiang [6753 7555 4382] led an Anhui government economic and technical cooperation delegation, which was composed of representatives of the Anhui Cooperation Office, relevant provincial offices and bureaus, and certain cities, on a visit to the three northeastern provinces and Qinhuangdao during August and September of 1986. The delegation attended the Heilongjiang Invitational Conference on Domestic Horizontal Economic Alliances in Harbin, held over 30 discussions with delegates from Heilongjiang Province, the other fraternal northeastern provinces, and Qinhuangdao, and signed 102 formal agreements and agreements of intent, including 82 agreements with Heilongjiang Province for 29 million yuan worth of cooperation in goods and materials. Heilongjiang is one of China's major industrial bases. It occupies a particularly powerful position in the fields of petrochemicals and machinery such as boilers, motor vehicles, machine tools, bearings, measuring tools, and electrical machinery and equipment, and can help in Anhui's economic growth; whereas Anhui has definite advantages in fields such as light industry, food products, and textiles, and can supplement Heilongjiang's deficiencies. The major agreements, which were signed between Anhui and Heilongjiang, are as follows: the Wuhu and Ma'anshan boiler plants will establish a joint marketing organization with the Harbin Industrial Boiler Co, cooperate in developing new products, and gradually join the Harbin Boiler Alliance; the Heihe Food Products Factory will join Bengbu "Huangshan Cola" Alliance; the Anda, Hegang, and Wuhu Huaqiao leather shoe factories will combine their trademarks and produce "Huaqiao" leather shoes for export; Heifei will use its technology to become a shareholder with the city of Huangyashan, and join it in building a calcium carbide plant with an output of 25,000 tons a year; Wuhu will conduct a joint venture with Shuangyashan in setting up an alcohol refinery with an output of 3,000 to 5,000 tons a

year. The agreements, which were signed in the field of goods and materials cooperation, are as follows: the Daqing Oil and Chemical Plant has agreed to supply a certain amount of gasoline and diesel oil to Anhui after fulfilling its 1986 state plan; the Heilongjiang Grain and Oil Trading Corp will supply Anhui with 30 million jin of Chinese sorghum. Jilin and Liaoning provinces are also major Chinese industrial bases. They have strong foundations and rich strengths in fields such as motor vehicles, machinery, chemicals, and metallurgy. Qinhuangdao is one of China's famous tourist and convalescent resorts and a major port city. Anhui has had few economic ties with the northeastern provinces and Qinhuangdao in the past, but through this introduction to their conditions, advantages, and cooperative intentions, it has reached agreements with them on 35 cooperative projects.

12267/9190

CSO: 4006/120

FINANCE, BANKING

INVESTMENT BANK SEEKS WORLD BANK, ADB LOANS

OW230532 Beijing XINHUA in English 0154 GMT 23 Dec 86

[Text] Beijing, 23 December (XINHUA)--China Investment Bank is negotiating loans with the World Bank and the Asian Development Bank [ADB], a bank official has disclosed to XINHUA.

He expected the loans to be signed early next year. That will be the fourth loan from the World Bank and the first from the Asian Development Bank. China Investment Bank (CIB), which is specialized in raising construction funds abroad, was set up five years ago today. It has since borrowed over 400 million U.S. dollars from the World Bank and foreign commercial banks to support 420 domestic projects.

The World Bank has so far provided three loans totalling 345 million U.S. dollars to CIB. In an effort to diversify the operation, CIB began to borrow from foreign commercial banks this year, with deals amounting to 60 million U.S. dollars in total, according to the bank official.

"To ensure good economic results of the bank-supported projects, we have been paying a great deal of attention to project appraisal," he said.

By the end of last June, 150 projects had been completed and put into operation. Some of these produce export items or substitutes for exports. Twenty million U.S. dollars in foreign exchange has been earned or saved, the official said.

CIB will continue to expand its source of funding next year. It plans to raise money from the Asian Development Bank as well as other international monetary organizations, borrow medium- and long-term loans from foreign commercial banks and issue bonds abroad.

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CSO: 4020/87

FINANCE, BANKING

INVESTMENT BANK TO CONTRACT WORLD BANK LOAN

HK251512 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1015 GMT 23 Dec 86

[Report: "The Investment Bank of China Makes Arrangements for Contracting the Fourth Loan With the World Bank"--ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 23 December (ZHONGGUO XINWEN SHE)--The World Bank is planning to offer its fourth loan to China's Investment Bank. This loan will be the largest amount of money lent by the World Bank to any intermediate banking institution in the world.

The main business of the Investment Bank of China is to distribute the loans offered by the World Bank to various small and medium-sized industrial projects in China. Since 1982, the Investment Bank has contracted three loans with the World Bank for a total amount of \$345 million. The amount of the fourth loan will be close to the total of the previous three loans.

Last August, the State Council approved nine "window" institutions to handle the business of raising funds abroad. Apart from the Investment Bank, they are the Bank of China, the Communications Bank, the International Trust and Investment Corporation, and the five provincial and municipal governments of Guangdong, Shanghai, Dalian, Tianjin, and Fujian. An official of the Investment Bank said that in the future, his bank will diversify the channels of raising foreign funds and will also increase the contracting of loans with foreign commercial banks. This year it has contracted a \$60 million commercial loan with two Japanese banks, and an amount of \$44 million will be used to finance an expansion project in a cloth plant in Pingdingshan City, Henan Province. After completion of the project, the plant will become the world's largest producer of polyamide fiber, and then China will reduce its import of polyamide fiber by \$60 million.

In addition, the Investment Bank is preparing for contracting loans with the Asian Development Bank. The Chinese Government has authorized the Investment Bank to handle the first loan offered by the Asian Development Bank. At present, the Investment Bank and the Asian Development Bank are still negotiating the details of the loan.

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CSO: 4006/259

FINANCE, BANKING

SHORT-TERM MONEY MARKETS DISCUSSED

HK190819 Beijing RENMIN RIBAO in Chinese 15 Dec 86 p 5

[Article By Li Changgao (2621 2490 2640) and Zhang Shiming (1728 1102 2494):
"Develop The Short-Term Money Market"]

[Text] The money market can be divided into the long-term and short-term money markets. The long-term market refers to the medium-term and long-term credit funds adjustment and fund raising activities with a time limit of a year or more. The short-term money market refers to the adjustment and distribution of the supply and demand of short-term funds. Compared with the former, the short-term money market has a short repayment period, great mobility, and less risk. In light of the actual conditions of our country, at present, we should mainly develop the short-term money market.

First, at present, the proportion of the accumulated fixed assets of our country and the proportion of the circulating assets of our country are unbalanced. Because the long-standing problem of "eating from the same big pot" in using funds has not yet been solved, in many areas, the enterprises still only pay attention to accumulating fixed assets while ignoring the accumulation of circulating assets, still build a large number of projects, and contend for investment. When planning investments in fixed assets, some enterprises do not retain the necessary circulating funds. It seems to them that once they go into operation, the banks will unconditionally provide them with circulating funds. Some enterprises even use circulating funds to invest in the fixed assets. The lack of circulating funds at the beginning of this year was, to a great extent, caused by such a proportional imbalance within the social accumulation. So, when the relations between the accumulation of fixed assets and the accumulation of circulating assets have not yet been smoothed out, if we blindly develop the long-term money market, turn the short-term money market into the long-term money market through negotiable securities, and carry out long-term investments, we will certainly cause a bigger proportional imbalance between the accumulation of fixed assets and the accumulation of circulating assets, increase the dependence of the enterprise circulating funds on the banks, worsen the situation of the total social demand exceeding the total social supply, cause a more serious lack of circulating funds, and cause the synchronous expansion of investment and consumption and the insufficient use of the present production capacity as well as a reduction of the effective supply so as to bring serious consequences to our national economy.

Second, at present, it is impossible for the majority of enterprises to implement the joint-stock system. Although recently, the enterprises in some areas have begun to sell a small number of shares, and a small-scale stock exchange business has emerged in one or two cities of our country, as far as the overall situation of our country is concerned, the implementation of the enterprise joint-stock system is still at the trial stage. In a short period, it will be impossible for the majority of the enterprises in our country, particularly the enterprises under the system of ownership by the whole people, to implement the joint-stock system. What is more, because at present, our country's commodity economy is still undeveloped, labor productivity is still low, and the surplus products are still few, it is impossible for the enterprises and citizens of our country to hold a large number of shares and bonds. Since the prospects for the implementation of a joint-stock system in enterprises are still not clear, and people are only able to hold a limited number of shares and bonds, at present, we do not have the necessary conditions to establish the stock exchange markets which are part of the long-term money market. As for the transfer of shares, this work can be temporarily taken over by specialized banks and other financial institutions. When more enterprises begin to implement the joint-stock system and the people are able to hold more shares, we will begin to consider establishing the relevant stock exchange markets. This means that at present, we should not carry out the development of the long-term money market in too much of a hurry, and we should first develop the short-term money market in a practical and realistic way.

Third, our country's credit system is undeveloped and the means of credit are unitary. In the new situation characterized by the rapid development of a commodity economy, non-government credit and commercial credit among enterprises have begun to emerge, but most of them have appeared in the primitive form of oral agreements or are recorded in each other's account books. Therefore, we should create and develop various credit forms and credit means, perfect the credit system, and enable people to learn to use and control the various credit means on this basis. Only on this basis can a long-term money market be gradually established.

In a word, at the present stage, we should develop the money market according to the principle of developing both the short-term money market and the long-term money market emphasizing the former and properly opening up the foreign exchange adjustment and foreign exchange distribution markets. We can consider developing the following types of short-term money market:

First, the bank guild distribution market. The development of the bank guild distribution market should be the focus in the development of our country's money market. This is because the bank funds are the main body of the social funds. In order to invigorate funds, we should first of all invigorate the bank credit funds. Only by invigorating the bank credit funds will we be able to gradually and rationally mobilize all the social funds. Because the credit funds are used in circulation and the different specialized banks in different areas usually possess different amounts of funds at different times, it is necessary and possible to adjust the credit funds. This demands the different specialized banks to voluntarily carry out fund adjustment and distribution in a wider area on the basis of mutual benefit according to their different areas

and trades and their different amounts of funds at different times. The relevant interest rate and terms should be agreed upon by both sides through consultation and the relevant agreements can be signed freely between the two concerned parties. The funds of a city or an area can not only be lent out to other cities or areas but also be lent to the units within the same city or area so as to invigorate the existing funds, accelerate the circulation of the existing funds, realize the best distribution of the existing funds, and bring the existing funds into the most effective play.

Second, the voucher discount market. Along with the development of the commodity economy characterized by lateral ties, vouchers must be used in the commercial credit among the enterprises. The banks should not provide loans to those enterprises which do not use vouchers. While insisting on the use of vouchers in commercial credit, the specialized banks should also develop the voucher honoring business and voucher discount business as well as voucher mortgage loan business. The Central Bank should also develop the voucher re-discount business and make the voucher re-discount business the Central Bank's main means of currency supply. In order to promote the use of vouchers and the formation of the voucher market, the voucher discount rate should be lower than the loan rate of the circulating funds, and the way the banks provide loans should be gradually turned from the present credit loans into commercial honoring, voucher discounts, and mortgage loans, and the relevant security must be insured by the insurance companies. In the future, the credit loans can be used as a type of loans on favorable terms. A voucher involving a big-volume credit loan must be accompanied by a notarization issued by the notarial department concerned so as to improve the quality of the credit loan and reduce the risk of the credit loan.

Third, the short-term stock market. We should develop various types of short-term bonds, gradually establish the stock exchange markets, establish the financial institutions which buy and sell short-term bonds, publicize the use of money orders and cashier's cheques, increase the number of short-term bonds, deposit certificates, and so on. In this way, we will be able not only to help some enterprises solve the problem of a lack of funds but also to gradually guide civilian credit into the sphere of a controlled market.

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CSO: 4006/259

FINANCE, BANKING

'UNPRECEDENTED' GROWTH OF MONETARY MARKETS VIEWED

OW301909 Beijing XINHUA in English 1541 GMT 30 Dec 86

["Year-end story: Monetary Markets Booming in China"--XINHUA headline]

[Text] Beijing, 30 December (XINHUA correspondent Shi Xiaofan)--the Year 1986 has seen the creation of monetary markets of various kinds at an unprecedented rate in China's financial sector, a result of the ongoing reform in the country's financial structure.

The markets mainly involve interbank borrowing and lending, commercial and short-term bond and paper transactions. The new measures have helped facilitate the circulation of funds, promote economic cooperation between enterprises and have enhanced the role of banks in regulating the economy.

In February, banks in eleven cities including Wuhan, Chongqing, Guangzhou, Shenyang, Changzhou, Xian and Shenzhen concluded an agreement on interbank borrowing and lending that has established China's first trans-regional financial network. According to the agreement, the banks report their own fund situation to the bank in Wuhan on the 8th, 18th and 28th of each month. Wuhan then spreads the information to other banks which start interbank borrowing and lending. The interest rates are freely decided.

In the following months, two more financial networks of the same kind came into being, one involving banks in 27 cities along the Yangtze River, and the other network involving banks from 14 cities and prefectures along the Bohai Sea.

Reports from the Agricultural Bank of China said that a national network for rural interbanking activities has taken shape.

Small-scale permanent interbank call markets have also appeared in many cities.

According to statistics, in October interbank borrowing and lending provided 16 billion yuan for the Industrial and Commercial Bank of China, a state bank catering to urban businesses.

Between January and November, 11 branches of the Agricultural Bank of China provided funds of 14.94 billion yuan through interbank activities.

Under the previous highly-planned and rigid practices, borrowing and lending were not allowed between local banks. If they were short of funds, they were supposed to borrow from their head offices, while their head offices would, in turn, borrow from the People's Bank of China--the country's central bank.

After the setting up of interbank markets, banks can borrow from each other according to market forces. This helps alleviate fund shortage and improve the use of funds, Chinese financial experts noted.

Another important development is that banks have begun a new service--the commercial paper transaction which allows payments to be deferred. This type of transaction allows banks to endorse promissory notes and money orders from the buyer to the seller. The bank will buy back the note if the seller needs the money before the buyer pays.

According to statistics, banks of the four cities of Shenyang, Wuhan, Chongqing, and Guangzhou had handled 1,419 commercial paper deals worth 200 million yuan, and 1,883 discount deals worth 400 million yuan by the end of August. The People's Bank of China had handled 250 discount deals worth 120 million yuan in the same period.

Now that enterprises are allowed to raise funds through issuing stocks and bonds, and a security market has also flourished.

In August, China's first security exchange institution was set up in Shenyang, a heavy industrial base in northeast China. Run by the city's trust and investment corporation on a trial basis, the institution only handles the transaction of bonds issued by local enterprises.

In Shanghai, China's largest industrial city, where over 740 enterprises have issued stocks, the Industrial and Commercial Bank began to handle stock transactions in September. Now it only deals in the stock of the city's two enterprises.

In Shanghai and Guangzhou where foreign trade activities are most active, markets for regulating foreign exchange for enterprises with foreign investment were set up recently.

All the changes this year do not mean China is developing a capitalist financial system. China needs a socialist market system to develop its commodity economy, as pointed out by the Chinese financial authorities.

However, since it is inexperienced in monetary market transactions, it has to feel its way in establishing a perfect monetary market, said the authorities.

In the near future, the tasks will be to form interbank call markets, the commercial paper and short-term bond markets on trial basis. China will

consider the establishment of a long-term security market and a secondary financial market where enterprises can sell and buy securities without the involvement of the financial institutions. This will occur only after having gained enough experience, the authorities said.

China is also working on relevant laws and regulations concerning monetary markets.

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CSO: 4020/87

FINANCE, BANKING

FINANCIAL REFORM PROGRESSES IN PILOT CITIES

OW260958 Beijing XINHUA in English 0901 GMT 26 Dec 86

[Text] Beijing, 26 December (XINHUA)--The ongoing financial reform which has been experimented in five Chinese cities has yielded marked progress this year and expanded rapidly throughout the country, a government official said today.

Earlier this year China designated five cities (Shenyang, Guangzhou, Wuhan, Chongqing, and Changzhou) to try out financial reforms. The aim is to promote the flow of money among different banks and gradually form an inter-bank, regional money market. Such cities have been expanded to 13 this month, according to Gao Shangquan, vice-minister of the State Commission for Restructuring the Economic System in Chongqing, quoted in today's ECONOMIC DAILY.

Gao outlined the achievements of financial reform in the five cities in five aspects:

- The development of inter-bank loans among branches instead of the previous practice of borrowing and lending only between the Central Bank and its branches;
- the setting up of small-scale short-term money markets;
- bill acceptance and discounting transactions which help speed up capital turnover;
- diversified forms of borrowing and lending such as issuing bonds and stocks; and
- the setting up of non-bank-run financial organs and collectively-owned savings banks to increase money resources.

Gao said the financial reform in 1987 will focus on controlling the investment scale for fixed assets, opening more short-term money markets and studying interest rate systems.

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CSO: 4020/87

FINANCE, BANKING

BEIJING TO OPEN FINANCIAL, STOCK MARKET

HK240554 Beijing CHINA DAILY in English 24 Dec 86 p 1

[By staff reporter Wu Jingshu]

[Text] A financial and stock market--the first in the Chinese capital--will open in Beijing early next month to pave the way for "a major step forward" in the city's economic reform, a leading city official disclosed yesterday.

The opening of the financial market will go hand in hand with a major reorganization of the city's enterprises. Some state-owned enterprises will be reorganized into "joint stock firms" whose shares will be offered for sale on the new market, vice-mayor Sun Fuling told CHINA DAILY. "Joint stock firms" refers to enterprises issuing shares equal to their assets and recognizing shareholders' ownership rights to part of the operation.

The first group of such State-owned enterprises to offer stock will include Beijing's famous Baihuo Dalou (Beijing Department Store) on Wangfujing Street. Baihuo Dalou--the largest commercial establishment in the Chinese capital with 3,000 employees--now receives 100,000 customers from all over China per day, and rings up more than 370 million yuan (US\$100 million) a year in sales.

Asked if the new joint stock system will affect the State ownership of such enterprises, Sun said, "so long as the State holds 51 percent of the stock issued, the firm will be controlled by the Chinese Government."

The city government is currently also planning to lease more medium and small businesses and industrial enterprises to private or collective operators, while turning the bigger ones into joint stock firms, said Sun, who is in charge of the city's economic affairs.

"While the shares of the joint stock firms can be bought by any one unit or individual on the open market, the firm can also be taken over on contract by those who are not necessarily its own employees," Sun said.

There are already a few financial markets, which were set up earlier this year in such cities as Shenyang, Taiyuan and Shanghai, where firms can exchange their cheques, money orders or loans without going to a bank as they did before. But most of these markets do not include a stock exchange.

Beijing already leased a number of commercial businesses to contractors earlier this year, and most of them have shown better economic results, Sun pointed out.

Recently, a small number of state-owned retail shops or groceries in Beijing were sold at auction to individuals. The buyers, mostly private traders, have been willing to take over the small shops at prices ranging from 50,000 to 90,000 yuan (US\$13,500 to US\$24,300).

"But our major direction in the reform is to issue stock for the larger firms and lease out the medium and small ones," Sun said.

"By turning the capital of an enterprise into shares, a profitable enterprise will have a chance to invest its surplus funds in other enterprises and thus expand its economic interests," Sun explained.

"We are sure that opening such new channels for inter-enterprise investment will give a powerful boost to the capital's economy," Sun said.

Yesterday, Mayor Chen Xitong told CHINA DAILY that Beijing is "opening its doors still wider" to foreign investment in the coming year.

"Foreign investors are welcome to approach any enterprise, including small rural factories, in the Chinese capital to discuss business proposals at any time," he declared.

Currently, Beijing leads the country with total foreign investment of \$2.04 billion, in addition to the \$1.16 billion worth of business contracts already signed on technology transfer, according to Vice-Mayor Han Boping.

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CSO: 4020/87

FINANCE, BANKING

BANKING BUSINESS FLOURISHING IN SHANGHAI

OW250902 Beijing XINHUA in English 0846 GMT 25 Dec 86

[Text] Beijing, 25 December (XINHUA)--Banking business has made a comeback in Shanghai as part of the city's effort to "boost its economy and restore its status as China's leading financial center."

According to an article in today's ECONOMIC DAILY, the money market focusing on interbank loans, the clearinghouse, the stock market and foreign exchange market have sprung up over the past few months in Shanghai, which used to be China's leading financial center.

It said, "an indicator of the city's thriving money market is the fast growth of financial institutions in recent years." Now, Shanghai has four leasing companies, two investment and trust companies, and 27 banks with foreign investment or investment of Chinese residing abroad.

It also has the branch of the People's Bank of China, branches of the Bank of China, the Agricultural Bank of China, the Construction Bank of China and the Industrial and Commercial Bank of China, an insurance company and 200 rural credit cooperatives.

The Shanghai-based Communications Bank of China will open soon, and will be responsible for raising money and issuing loans in China and abroad.

The article recalled, the Shanghai branch of the Industrial and Commercial Bank of China resumed the discount business in the second quarter of this year.

Shanghai's first short-term money market was set up in late August this year to facilitate the issuance of interbank loans and the discount of notes and bills. It was followed by the share broking services in late September and the issuance of bonds by the Shanghai branch of the Construction Bank of China for businesses last month.

A foreign-currency exchange center opened in Shanghai last month to facilitate the borrowing and lending of hard currency between foreign-funded businesses. "The opening of the center in Shanghai is another indicator of the city's flourishing money market," the article said.

It said, "as a result of the money market, Shanghai banks are now able to use foreign funds to aid technology imports for local businesses and expand the service sector."

For example, the Shanghai branch of the Bank of China organized abroad a consortium of 19 overseas banks earlier this year and borrowed 175 million U.S. dollars from the consortium for the city's service industry.

The money market also has helped speed up the turnover of and improve the utilization rate of funds. The Interbank loans came to 960 million yuan (about US\$260 million) in 45 days after the short-term money market was set up in late August.

According to the article, other benefits of the market include arousing the initiative of all sectors of society for raising money, and promoting borrowing and lending of money between businesses in Shanghai and elsewhere.

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CSO: 4020/87

FINANCE, BANKING

RURAL CREDIT COOPERATIVES SHOW INCREASED DEPOSITS

OW152300 Beijing XINHUA in English 1441 GMT 15 Dec 86

[Text] Beijing, 15 December (XINHUA)--Savings deposits in China's rural credit cooperatives have soared to 91.6 billion yuan (US\$24.7 billion) this year, a record high since 1949, ECONOMIC DAILY reported today.

Of the total in savings deposits, 74.5 billion yuan (US\$20.1 billion) came from individual peasants, an increase of 18 billion yuan (US\$4.9 billion) over last year.

China's rural credit cooperatives, under the Agricultural Bank of China, are collectively-owned and responsible for their own profits and losses.

There are currently 400,000 credit cooperatives, averaging one for every two villages, which offer savings accounts and make loans to individuals and rural businesses.

Chinese peasants no longer hide their money at home, but are now earning interest from savings deposits, and since peasants are now depositing more money, the cooperatives, once on the verge of bankruptcy, are becoming more active in their services.

Cooperatives have granted 34 billion yuan (US\$9.2 billion) in loans to various town-owned enterprises, such as transportation, hotel services, and construction.

By the end of November, collective farms and individual farmers had received 32.9 billion yuan (US\$8.9 billion) in loans from the cooperatives.

An official from the Agricultural Bank of China said, "rural credit cooperatives hope to increase deposits by 20 billion yuan (US\$5.4 billion) next year."

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CSO: 4020/87

FINANCE, BANKING

HAINAN HOSTS NATIONAL FINANCIAL WORK FORUM

HK290901 Hailou Hainan Island Service in Mandarin 0400 GMT 28 Dec 86

[Text] A national forum on the management of finances by enterprises using foreign investment and on financial work in Guangdong foreign economic relations and trade was held in our region from 21 to 27 December. This forum was held by the Ministry of Finance on the basis of the management of finances gradually carried out by enterprises using foreign investment and of certain achievements scored. Xie Ming, adviser to the Ministry of finance, presided over this forum and delivered the summation speech.

Xie Ming stressed: It is necessary to include the financial work of enterprises which use foreign investment on the important agenda of departments of finance, to seriously enforce the State Council's regulations on encouraging foreign firms to make investments, to vigorously carry out feasible studies, to provide a reliable basis for formulating policy decisions so as to absorb projects invested in by foreign firms, and to further perfect the system of the management of finances by enterprises using foreign investment. It is essential to freely allow enterprises in which foreign firms have invested to carry out operations independently and with the initiative in their own hands within a specified sphere. It is imperative to conduct penetrating investigations and studies, to sum up and exchange experiences in management of finances by enterprises using foreign investment, and to continuously achieve the training of cadres engaged in foreign economic relations and trade, finance, and accounting work.

Responsible persons of the departments of finance of all provinces, autonomous regions, and municipalities directly under the Central Government and of cities separately listed in the state plan who are in charge of the financial work of enterprises which use foreign investment, respectively briefed the forum on the situation in work over the past few years.

(Li Qingzhu), deputy director of the Hainan Regional Bureau of Finance, briefed the forum on our region's situation in implementing the policy of opening to the outside world and in striving to do a good job in the management of finances by enterprises using foreign investment. (Li Qingzhu) said: The management of finances involving foreign investment, Chinese joint investment, and joint operations is a new undertaking. In the light of realities, Hainan must learn about the successful experiences of other places and strive to do well in the management of finances by enterprises using foreign investment.

FINANCE, BANKING

BRIEFS

FOREIGN EXCHANGE SAVINGS--Beijing 19 November (XINHUA)--The savings deposits in foreign exchange at the Industrial and Commercial Bank of China (ICBC) had reached 110 million yuan (about US\$29.7 million) by the end of October. And its loans outstanding in foreign currency amounted to 60 million yuan (about US\$16.2 million). Before 1984, foreign exchanges were dealt with solely by the Bank of China. Now the business is also conducted by the ICBC and the Agricultural Bank of China in the coastal cities open to the outside world. [Text] [Beijing XINHUA in English 1118 GMT 19 Nov 86 OW] /12913

MORE HOUSEHOLDS INSURING PROPERTIES--Beijing, 26 December (XINHUA)--More than 40 million peasant households or 200 million rural residents across China have insured their properties since the service began in 1982, according to the People's Insurance Company of China. The company now undertakes in rural areas 100 insurance items, ranging from those for agriculture, forestry, animal husbandry, fisheries, rural industry and commerce to those for rural transport and construction businesses and service trades. This year, a company official said, more than 9.3 million hectares of crops and forests and 10 million head of livestock were insured, valued at 16 billion yuan (US\$4.3 billion) and 930 million yuan (US\$251 million) respectively. The company has prepared 780 million yuan (US\$211 million) for compensations this year, 310 million yuan (US\$84 million) more than in 1985, the official said. In the first 10 months, the company has made compensations totalling 473 million yuan (US\$ 12.8 million) in 960,000 rural incidents. [Text] [Beijing XINHUA in English 0300 GMT 26 Dec 86 OW] /12913

QUESTIONABLE LOANS REDUCED--Beijing, 30 December (XINHUA)--The People's Construction Bank of China has stopped blindly giving out loans and has instead begun evaluating the potential efficiency of projects from loan applicants. Of the 597 loan applications received by the bank from across the country, it rejected five. Bank officials said the rejected loans were of questionable social or economic benefit and decided against providing the loans which totaled 172 million yuan (US\$46.44 million), an official from the bank told XINHUA. Over a long period, the Construction Bank used to give loans in line with a list of construction items passed down by the planning commissions. Since 1983, the bank has been given the power to determine whether it should accept loan applications in line with the estimated efficiency of the loan applicants, the official said. For example, the Songjiang Tractor Factory of Heilongjiang Province asked for a loan of 23 million yuan to import equipment for manufacturing 1,500 tractors a year. The

local construction bank discovered that the factory's annual sales volume was only 300 units and the factory could upgrade its production by renovation rather than importing new equipment, so it canceled the loan. [Text]
[Beijing XINHUA in English 1247 GMT 30 Dec 86 OW] /12913

PEOPLE'S INSURANCE COMPANY--Beijing, 6 January (XINHUA)--The People's Insurance Company of China achieved a 45 percent rise in its premium earnings in 1986 as the company's clientele in the countryside tripled, a company official said here today. The premiums from 280 items of domestic and foreign insurance exceeded five billion yuan (about US\$1.35 billion) last year. In 1986, the company offered 100 new insurance items for various sectors of the rural economy--farming, forestry, sideline production, fisheries, industry, service trades, commerce, transportation and construct. Nearly 50 million rural families of 200 million people insured their property last year--triple the number in 1985. The official described the advance in life insurance as "exceptionally rapid" in 1986. The company received 960 million yuan in premiums from new life insurance plans--2.3 times it did in 1985. Newly offered services include pension insurance for workers of rural collective businesses, accident insurance on primary and middle school students and funeral insurance for farmers. Also in 1986, the company underwrote such foreign-funded projects as the Daya Bay Nuclear Plant in south China's Guangdong Province and the Pingsuo Strip Mine in north China's Shanxi Province. [Text] [Beijing XINHUA in English 1243 GMT 6 Jan 87 OW] /12913

BUSINESS LOGO INTRODUCED--Beijing, 31 December (XINHUA)--The Bank of China (BOC), the State Foreign Exchange Bank, will introduce its own logo to be used in both domestic and overseas transactions, BOC announced today. The logo is in the shape of a traditional Chinese coin with the Chinese character "Zhong" in the middle. The coin represents the bank; the character represents "China"; and the circular shape symbolizes the bank's global character, the official explained. Designed with a combination of circle and square, the logo is sturdy, simple and easily recognized, the official said. It was designed by Kan Tai-keung, a leading Hong Kong trademark designer. The BOC mark won him a prize at an international exhibition. [Text] [Beijing XINHUA in English 0749 GMT 31 Dec 86 OW] /12913

CSO: 4020/87

INDUSTRY

MINISTER SAYS IRON-STEEL INDUSTRY PLANS BIG PUSH

OW061132 Beijing XINHUA in English 1042 GMT 6 Jan 87

[Text] Beijing, 6 January (XINHUA)--China's iron and steel industry aims to surpass this year's annual production quota of 54 million tons. After turning out 50 million tons in 1986, China now ranks fourth in the world steel production.

At a national conference which opened here today, Qi Yuanjing, minister of the metallurgical industry, called on workers, cadres and technicians in the field to go all out to fulfill this goal.

The minister told the conference, "this year China will invest more than eight billion yuan (2.2 billion U.S. dollars) in capital construction and technical upgrading of existing metallurgical enterprises to ensure exceeding the 1990 quota of 60 million tons." "We will strive to top this century's quota ahead of schedule, by producing 80 million tons of steel by 1995," the minister reported.

Metallurgical experts hold, confronted with the challenges of rapid growth, quality and variety, economic efficiency and management, the industry has a long way to go to realize the plan.

During the Sixth Five-Year period (1981-1985), the average annual increase in steel production was two million tons, and to produce more than 60 million by 1990 means bringing annual increases to about three million tons in the next five years. To reach the aim of 80 million tons by 1995, nearly four million tons have to be added each year.

According to these experts, "such consistent and steady growth is unprecedented in the history of China's metallurgical industry."

Qi Yuanjing said, "while working on this year's quota, thought must be given to the coming years, because realization of the goal crucially depends on the next five years."

He gave a detailed outline on capital construction at the Baoshan, Tangshan and other major iron and steel complexes expected to be operational by the end of the decade.

To improve product quality and enable 40 percent of the industry's key enterprises to produce internationally acceptable iron and steel, another 124 international standards will be enforced this year, in addition to the 191 adopted last year.

This year 5.5 million tons of steel products will be produced in accordance with international standards.

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CSO: 4020/84

INDUSTRY

COUNTRY'S IRON, STEEL OUTPUT UP FROM 1985

OW051334 Beijing XINHUA in English 1251 GMT 5 Jan 87

[Text] Beijing, 5 January (XINHUA)--China's steel output hit 51.9 million tons and rolled steel 40.84 million in 1986, while pig iron reached 49.94 million tons.

An official from the Ministry of Metallurgical Industry told XINHUA that the figures represent increases of 10.9 percent, 10.6 percent and 13.9 percent, respectively over the previous year.

He said the Baoshan Iron and Steel Complex in Shanghai has played an important part in this achievement as it turned out 2.5 million tons of steel last year, up 4.2 times on the previous year.

On the other hand, he said, the growth should also be attributed to technical revamping of existing enterprises. The program has added about three million tons of steel a year.

China's largest steel producer--the Anshan Iron and Steel Complex in northeast China--turned out 7.5 million tons of steel last year while the Wuhan Iron and Steel Works topped 4.29 million tons in the year.

The official said the quality of products has also been improved, with a big output of quality alloy steel for the manufacture of more than 5,000 railway freight cars and passenger coaches. Steelmakers in Shanghai have provided high-quality alloy steel for shipbuilding, automobiles, building projects, the petroleum industry and harbor construction.

According to the ministry, the metallurgical industry achieved better economic results than in the previous year. It made 14.5 billion yuan in profits and taxes, up seven percent.

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CSO: 4020/84

INDUSTRY

FALL IN SCRAP METAL QUALITY AFFECTS STEEL PRODUCTION

HK180522 Beijing CHINA DAILY in English 18 Dec 86 p 1

[By staff reporter Guo Zhongshi]

[Text] China is to insist on tighter controls on the quality of scrap metal, a major raw material for steel production, following a new State decision to loosen its 37-year control on the scrap market from 1 January.

The move, described as the most important step to be taken in the reform of China's steel industry since 1949, is intended to spur a nationwide enthusiasm for reclaiming waste iron and steel products by creating an open market while guaranteeing high quality for the scrap which now provides one-third of the raw material for steel production.

But at present, the quality of scrap metal is deteriorating, a problem that has not only adversely affected the country's steel products but has also threatened people's lives, Lin Zongtang, vice-minister of the State Economic Commission, said yesterday at the opening of a national conference on measures to cope with the growing problem.

Over the past few years, Lin said, local scrap recovery departments have found countless instances of adulteration in which scrap processing factories put all sorts of things ranging from mud to explosives inside the compressed blocks of scrap metal, resulting in longer smelting operations, high consumption of energy and poor product quality. In some special steelworks, which produce for military or scientific purposes, adulterated scrap blocks have often destroyed the whole furnaces of steel being processed.

He cited an example of a Guizhou supply and sales cooperative which sold what it believed to be two dummy projectiles to a local steel factory. The bombs exploded when heated and killed five workers and injured eight.

The problem should be put on the top of the agenda in all the enterprises concerned, Lin said. The State will step up the technical transformation of existing scrap processing factories in an attempt to form a national network of advanced factories with modern equipment.

New regulations on the quality of scrap metal will be imposed to strictly control purchase, selection and delivery of scrap metal so that adulterated or substandard blocks would not leave the factories and explosives or other dangerous scrap metal would only be handled by special departments, Lin said.

National inspections will be organized to see that any violation of the regulations and the State quality standards be severely punished, he said.

Meanwhile, he said, the newly opened market for scrap will bring competition between scrap metal reclamation departments. As a result, enthusiasm will be raised, supplies guaranteed and scrap metal more rationally used.

Wang Tingzhou, director of the Bureau of Metals Reclamation of the State Bureau of Supplies, told CHINA DAILY that major State steel enterprises will no longer be allocated with scrap which they have to exchange for their steel.

The scrap metal recovery departments will act as middlemen between steel enterprises to ensure the supply of scrap to major State steelworks, Wang said.

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CSO: 4020/84

INDUSTRY

CHINA DAILY ON BOOSTING STEEL PRODUCTION

HK190300 Beijing CHINA DAILY in English 19 Dec 86 p 1

[By staff reporter Xie Songxin]

[Text] China will invest heavily in the next four years in efforts to raise the quality and quantity of steel production, which is expected to total 51.5 million tons this year. By yesterday, the year's output had reached 50 million tons.

The country, now the fourth largest steelmaker in the world after the Soviet Union, Japan and the United States, will put 40 billion yuan (\$10.7 billion) into technical renovation of the industry during the Seventh Five-Year Plan (1986-90), compared with 19.9 billion yuan (\$53 million) in the last 10 years, CHINA DAILY has learned from the Ministry of Metallurgical Industry.

More than 3 billion yuan (\$800 million) has been invested this year, Ling Huachun, a ministry official said.

In addition to the 40 billion yuan investment, foreign capital will be sought, chiefly to update existing facilities, such as the Anshan Iron and Steel Works in Liaoning Province and Wuhan Iron and Steel Corporation in Hubei Province.

China's steel output is expected to top 60 million tons in 1990, Minister Qi Yuanjing told CHINA DAILY yesterday.

Technical renovation and import of technology and equipment aiming at increasing variety and improving quality, will take most of the investment. Not enough high quality steel and steel products are produced at present to meet construction needs.

"China will consider constructing new plants if foreign businesses provide low interest loans and good conditions for cooperation," the minister said. "We wish to increase cooperation with foreign governments, iron and steel manufacturers and financial organizations," Qi said.

Another goal is to reduce the large amounts of steel being imported. China is expected this year to replace the United States as the world's largest

steel importer, the UN Organization for Economic Cooperation and Development has reported.

This year's steel import figures will not be available until early next year, Ling Huachun said. Last year, steel imports totalled 19.8 million tons, mostly high quality products.

Even though China has become one of the world's major steel producers, its average per capita output is less than 50 kilograms per year, while the world's average is 160 kilograms.

Pre-tax, profits of the industry are expected to total more than 14 billion yuan (\$3.8 billion) by the end of the year, 6.9 percent more than last year.

Analysts attribute the industry's achievements to the introduction of advanced technology and the development of mines operated by rural residents and local steel plants. The iron ore output of rural mines reached 32 million tons this year, up from 12 million tons in 1983.

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CSO: 4020/84

INDUSTRY

ELECTRONICS VICE-MINISTER REPORTS STEADY GROWTH

OW302353 Beijing XINHUA in English 1511 GMT 30 Dec 86

[Text] Beijing, 30 December (XINHUA)--China's 1986 output value in electronics will surpass 30 billion yuan (about 8.1 billion U.S. dollars), an increase of 7 percent over last year.

Speaking at a news conference this afternoon, Zhang Xuedong, vice-minister of the electronics industry, contributed the achievement to the research work in the industry's development strategy and to the number of concrete measures taken to put strategic ideas into practice, such as relaxing enterprise management regulations and founding competitive interregional business corporations.

According to statistics now available, this year China expects to produce more than 12 million televisions, the same as last year, of which 3.6 million are color tv sets, which is an increase of 8 percent over last year.

Production figures will also include 240 main frame computers, an increase of 16 percent, 32,600 micro computers, an increase of 18 percent, and 87,000 pieces of computer housing, an increase of 28 percent.

The vice-minister said, a number of new electronics products are available this year, including a 23-kilometer non-stop optical fiber telephone system, a diagram and digital communication system, and a 25-meter radio astronomical telescope. Many of these new products have reached international advanced levels.

Zhang also revealed 639 scientific research projects which have won prizes from the ministry this year, with three awarded special prizes.

As a result of adopting 577 international norms, the quality of China's electronics products has been obviously improved. The no-fault working hours of quality black-white television sets has reached 10,000, and that of colored sets surpasses 15,000 hours.

Zhang Xuedong said, "considerable changes have occurred in the structure of China's exports of electronic goods, and the main products for export have been shifted from component parts to complete units like televisions and tape recorders."

The number of areas now importing Chinese-made television sets is also increasing. By 20 December, the ministry had earned over 113 million U.S. dollars, 105 percent more than last year, with the contract volume reaching 440 million U.S. dollars, an increase of 450 percent over that for last year.

The vice-minister predicted China's electronics industry will keep growing at a speed of 10 percent next year.

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CSO: 4020/84

INDUSTRY

SHANGHAI VOLKSWAGEN COMPANY MAKES PROGRESS

OW211256 Beijing XINHUA in English 1055 GMT 21 Dec 86

[Text] Shanghai, 21 December (XINHUA)--Chinese customers have placed orders for 3,000 "Shanghai-Santana" cars next year with the Shanghai Volkswagen Automotive Company here, the biggest Sino-Federal German joint venture in China.

In an interview with XINHUA earlier this week, Dr Martin Posth, the German deputy manager director of the company, said, "this shows that our company has got its foot in the door of the Chinese market."

Since it went into operation in September 1985, the company has built 11,400 "Shanghai-Santana" cars, all sold to Chinese government offices, factories, tourist companies and individual business people, as well as China-based offices of foreign firms.

He said, "our company now has servicing centers in the capitals of the 29 province-level areas on the Chinese mainland." The "Shanghai-Santana" cars now can be found racing around everywhere in this vast country--the Inner Mongolia grasslands in the north, Hainan Island in the South China Sea, Heilongjiang Province in the northeast and the Tibet Plateau.

Posth said, "we're going to build 30,000 cars and 100,000 car engines in 1988 and raise the car production capacity to 300,000 annually by 1990."

With the rise in the Chinese people's living standards, he went on, "we're also going to turn out low-priced yet durable cars for average Chinese families."

The company solicited opinions from Chinese customers about the "Shanghai-Santana" car, which was remodelled on the "Santana" built four years ago, and made improvements in line with the conditions of China's roads and climate.

The deputy manager director said his company had met all the 1986 production targets as of 8 December and the "Shanghai-Santana" cars were rated as comparable to the "Santana" cars built by the Volkswagen Company of Federal Germany, a partner in the Shanghai Volkswagen Company.

He said that the quality of "Shanghai-Santana" is higher than that of similar models the German company builds in Algeria, Brazil, Mexico or Nigeria. "This is really a miracle, I think. And it shows Chinese workers and technicians are competent."

He said that his company will be able to make more than enough profits this year to make up for the loss suffered in the trial operation before September 1985.

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CSO: 4020/85

INDUSTRY

PLASTIC PRODUCTION CONTINUES TO INCREASE

OW221330 Beijing XINHUA in English 0811 GMT 22 Dec 86

[Text] Beijing, 22 December (XINHUA)--China this year is expected to turn out more than 2.5 million tons of plastic products, an eight percent increase over last year, an official said here today.

Zhang Xiaochuan, deputy director of Plastics Bureau under the Ministry of Light Industry, told XINHUA that the country plans to increase plastic production by an average of eight percent a year over the next couple of years in a bid to meet domestic demand.

To reach the goal, the state has decided to invest 20 billion yuan (about 5.4 billion U.S. dollars) to establish four major refineries, he said.

Since its beginning in the late 1950's, China's plastic industry has enjoyed quick development in the past few years. The average per capita plastic consumption was one kilogram in 1980, but the figure now amounts to 2.5. China has one billion people.

The use of plastics have also expanded from daily life to farming. It is also used in packaging and for home decoration.

In comparison with last year, the production of plastic sheets for farming increased by 37 percent. Packaging materials rose by 50 percent while the use of plastic for home decoration increased 33 percent, according to Zhang.

Specialists of the Ministry of Light Industry said that the biggest demand for plastic products will come from agriculture. "Agriculture alone will need more than six million tons of plastic sheets," they said, adding that China has 10 million hectares of rice and 40 million hectares for cash crop growing. But statistics show that at present, the use of plastic sheets is less than one million tons.

In their view, the packaging industry will be the second largest user followed by construction.

At the present, the products such as plastic shoes and cups account for 30 percent of the total output. More varieties of plastic products have been developed which have been widely acclaimed by customers.

Zhang said that the industry plans to develop more products for medical use next year.

INDUSTRY

PHARMACEUTICAL INDUSTRY OUTPUT INCREASES NOTED

HK270515 Beijing CHINA DAILY in English 27 Dec 86 p 2

[By staff reporter Wang Guangyi]

[Text] The total output value of China's pharmaceutical industry this year will increase 17 percent over 1985 to top 17 billion yuan (about \$4.5 billion) by the end of December, according to a high-ranking government official.

Yuan Baohua, deputy-director of the State Economic Commission, told participants of a national pharmaceutical working conference which ended in Beijing on Wednesday that the output value of chemical drugs, medical facilities and traditional Chinese medicines, the three major sectors of the industry, are expected to increase by 17, 8.3 and 8.6 percent respectively over last year to reach 12.5, 1.3 and 2.5 billion yuan respectively.

Sales of pharmaceutical products will reach 14 billion yuan (about \$3.7 billion), 16 percent higher than 1985, according to Yuan, who also predicted that the industry would turn over 3.1 billion yuan in profits and tax to the State.

The official noted that the high-speed development followed the industry's sustained growth at an average annual rate of 12 percent since the State Council set up the National Pharmaceutical Administration Bureau in 1978.

However, China's pharmaceutical industry, especially the manufacture of chemical drugs, remains at a very low level compared to many other countries. And the export of its medical products accounts only for less than 21 percent of the world's \$90 billion pharmaceutical trade.

This year's growth percentage was also much higher than that of the national economy, which is estimated at less than 9 percent this year.

Yuan pointed out that the rapid development of the industry had eased shortage of supply of certain traditional Chinese medicines in the first few months of this year, and had boosted exports.

Figures provided by the National Pharmaceutical Administration Bureau indicated that export of the country's pharmaceutical products this year will total \$600 million, an increase of 15 percent over 1985.

An official from the China National Medicines and Health Products Import and Export Corporation, which handles more than 90 percent of China's medical export, said that the country's traditional medicines, chemical drugs and medical equipment had been exported to more than 100 countries.

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CSO: 4020/84

INDUSTRY

FOOD INDUSTRY TO CONCENTRATE ON QUALITY, VARIETY

OW171655 Beijing XINHUA in English 1525 GMT 17 Dec 86

[Text] Beijing, 17 December (XINHUA)--China will concentrate on more nutritious and quality foodstuffs in the next five years to meet the varied tastes and earn more foreign exchange, PEOPLE'S DAILY reported today.

China's food processing industry is expected to grow nine percent annually in the Seventh Five-Year Plan period which began this year.

"The growth is largely determined by agricultural progress and consumer demand," the report said. The report said that processed food in the country only accounts for about 32 percent of total food consumption and it is necessary to do intensive processing of soybeans, corn and potato as well as meat in addition to providing to the people better flour and edible oils.

The next five years will see a bigger development of sugar production, with output expected to increase from last year's five million tons to more than six million tons by 1990.

Fast food will be a focus of development to meet the growing needs of tourists, floating population and working parent families. The output of instant noodles is expected to reach 50,080 tons last year to 400,000 tons by 1990, that of bread will reach 400,000 tons and instant rice and rice flour noodles will reach 300,000 tons.

Other objectives include serial products of lactic acid drinks for the aged, babies and pregnant women, 250,000 to 300,000 tons of dairy products, an increase of beer from the present three million tons to 6.5 million tons and of soft drinks from 1985's one million tons to three million tons.

The objectives will be attained mainly by technological progress, the report said, including spreading the use of technology imported over the past few years and cutting production costs.

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CSO: 4020/84

INDUSTRY

GARMENT INDUSTRY NEEDS DIVERSIFICATION

OW190724 Beijing XINHUA in English 0035 GMT 19 Dec 86

[Text] Beijing, 19 December (XINHUA)--Today the Minister of the Textile Industry outlined a plan to improve and accelerate China's garment industry.

In an interview with XINHUA here today, Wu Wenyin, minister of the textile industry said, "more variety in design, fewer price controls and the production of more accessories are the three key points necessary to further develop China's garment industry."

The authority over China's general garment corporation, which is responsible for national garment production, has changed hands from the Ministry of Light Industry to Wu's ministry last month.

"We should encourage designers to turn out all kinds of styles," Wu said, "and consumers should be encouraged to dress according to their personality, avoiding the rush for one particular style."

"We need to train more promising designers," she said, "because China now has few garment makers and designers, more competent, well-trained workers are needed."

She also stressed loosening price controls on garments, because she believes it will greatly push ahead production.

"The sale of garments now depends on style, not the fabric," she pointed out, citing a Western-style suit made by a Shanghai firm as an example.

Wu said, "originally, the suit cost 40 yuan (about 10 U.S. dollars) three years ago when it first appeared on the market. Then it was quickly snatched up by consumers, but now, few shoppers notice it, even though the price has been lowered." "The quality of fabric used in the suit has not changed, but the style is out of date, that's the reason," she noted.

"The key to getting manufacturers to turn out more marketable styles is price, and they have no interest in doing it if they do not set the prices themselves," she concluded.

Currently, prices of garments manufactured by state-owned factories are set by the state.

She also called on garment factories to concern themselves with production of accessories in a bid to better serve consumers who have become more and more fashion-conscious.

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CSO: 4020/84

INDUSTRY

GONGREN RIBAO URGES INDUSTRY TO CUT WASTE

OW161220 Beijing XINHUA in English 1047 GMT 16 Dec 86

[Text] Beijing, 16 December (XINHUA)--Chinese enterprises must raise production efficiency by conserving raw materials, eliminating waste, and improving poor quality goods, a WORKERS' DAILY commentary said today.

According to the paper, "some enterprises suffer reduced profits even though they expand production because of poor management and the enormous waste and consumption of raw materials and other supplies."

The paper cited the Caitun Coal Mine in Shenyang, Liaoning Province, which suffered a loss of eight million yuan (2.2 million U.S. dollars) in 1984, yet saw profits of more than two million yuan (540,000 U.S. dollars) last year by reducing production costs, launching more technical renovation and readjusting their production format. "The mine has earned an additional 783,000 yuan (212,000 U.S. dollars) in profits during the first nine months this year," the paper added.

The commentary advised, "if raw material consumption is reduced by one percent of the total production costs, China will be able to save 2.6 billion yuan (702 million U.S. dollars) a year."

The commentary calls for nationwide efforts in cutting production costs. "The most effective way is to improve product quality, produce more market-oriented products and shorten the circulation of capital," it said.

"Enterprises must tap the initiative of their total work force and use the worker's brain power to attain their goals," it said.

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CSO: 4020/84

INDUSTRY

BRIEFS

NORTHEAST STEEL PRODUCTION--Beijing, 13 December (XINHUA)--Northeast China's Benxi Iron and Steel Company has fulfilled its state annual quota a month ahead of schedule with industrial production value worth 1.1 billion yuan this year, an official from the company said today. Its main products including pig iron, steel billet, special steel, and steel sheet surpassed the state plan by 4.6 to 38 percent. [Text] [Beijing XINHUA in English 0114 GMT 13 Dec 86 OW] /12858

RISE IN DEMAND FOR MACHINE TOOLS EXPECTED--Demand for machine tools in China will pick up slightly next year to push production to an estimated 125,000 units, according to the Wuhan-based ECONOMIC INFORMATION JOURNAL. Quoting mostly bank sources, the paper reported demand will be met mainly by domestic industries as the central government will continue to curb imports. Meanwhile exports are expected to increase by 42 percent this year. In contrast to the continuing tight control on foreign currency, domestic bank loans will be easier to get next year, the paper said. The Industrial and Commercial Bank of China is considering increasing loans to the machine building industry by 300 million yuan from this year's 600 million yuan. Next year's breakdown of machine tool demand is expected to be 53 percent for lathes; millers 14.5 percent; grinders 13 percent; and 3.5 percent for numerical control machine tools. Next year conditions for expansion of the machine tool industry will be favorable. About 50 percent of the country's machine tools have been used for more than 10 years. In the Seventh Five-Year Plan (1986-90), at least 150,000 machine tools are to be replaced by new ones each year. Agricultural loans will be less limited next year, according to the paper. So it is expected the countryside's demand for machine tools will be broader. But imports of machine tools still exceed exports. [Text] [Beijing CHINA DAILY (BUSINESS WEEKLY Supplement) in English 17 Dec 86 p 3 HK] /12858

INCREASE IN STEEL PRODUCTION EXPECTED--Beijing, 18 December (XINHUA)--China expects to produce 51.5 million tons of steel this year, up 4.7 million tons over last year, the Metallurgical Industry Ministry announced here today. A ministry official said that the country's iron and steel companies met this year's steel production quota of 50 million tons today. This figure makes China the fourth largest steel producer in the world after the Soviet Union, Japan and the United States. China's steel production capacity has soared 150 percent over the past decade. Its average daily steel output this year is only 10,000 tons less than the entire output of 1949, when New China was

founded. Metallurgical Industry Minister Qi Yuanjing attributed the rise in steel production largely to the operation of Baoshan Steelworks in Shanghai and scores of major iron and steel companies built in the 50's, which are still operating at full capacity. He cited as an example the Anshan Iron and Steel Company, Liaoning Province, which has turned out a daily average of more than 20,000 tons of steel since the beginning of this year. [Text] [Beijing XINHUA in English 1617 GMT 18 Dec 86 OW] /12858

PHARMACEUTICAL INDUSTRY PRAISED--Beijing, 23 December (XINHUA)--A high official of the State Economic Commission has forecast that the total output value of the pharmaceutical industry will reach 17 billion yuan (4.5 billion U.S. dollars), 17 percent higher compared with 1985. Addressing yesterday a conference attended by about 200 provincial pharmaceutical administration officials, Yuan Baohua, vice-minister of the Economic Commission, said the pharmaceutical industry has become the single largest industry in terms of output value in China. Since the founding of the State Pharmaceutical Administration in 1978, the pharmaceutical industry has kept growing at an average rate of 12 percent each year. Sales of pharmaceuticals are expected to reach 14 billion yuan this year, an increase of 16 percent over last year. The export value is expected to reach 600 million U.S. dollars this year, 15 percent higher compared with 1985. Yuan called for efforts to expand export of medicine. The six-day conference is scheduled to end tomorrow. [Text] [Beijing XINHUA in English 0733 GMT 23 Dec 86 OW] /12858

PLASTICS AND ENGINE INDUSTRIES' NEWS--Beijing, 23 December (XINHUA)--Today's economic news briefs: Plastic industry soaring. China's plastic goods are expected to exceed 2.5 million tons, an increase of eight percent over last year. The state plans to invest 20 billion yuan (about 5.4 billion U.S. dollars) to build plastic production bases in Shanghai and provinces of Heilongjiang, Shandong, and Jiangsu. Most powerful diesel engine. A diesel engine of 15,742 horsepower, the most powerful in China, was produced by the Dalian Ship Diesel Engine Factory recently. [Excerpts] [Beijing XINHUA in English 1238 GMT 24 Dec 86 OW] /12858

CLOTH INDUSTRY PRODUCTION--Beijing, 28 December (XINHUA)--An industry, producing cloth with modern physics and chemical technology instead of using looms, is rising in China. According to an official of the Ministry of Textile Industry today, this year, the output of the non-woven cloth has exceeded 150 million square meters, five times the figure for 1981 when China began the industry or equivalent to the 1970 total produced by the West European countries. Now the country boasts 270 factories equipped with 370 production lines. They produce garment lining and artificial leather products, engineering and wall decorative cloth, carpets and insulating materials from natural and chemical fibers. Some of the products are exported to Hong Kong and Macao. The non-woven cloth industry combines technology of textiles, paper-making, plastics and chemical industry. [Text] [Beijing XINHUA in English 1221 GMT 28 Dec 86 OW] /12858

YARN OUTPUT INCREASE--Beijing, 22 December (XINHUA)--China's output of various yarns has reached 3.62 million tons this year, according to the Ministry of Textile Industry of China. China produced cotton yarn, chemical fibre yarn, and blend yarn. The statistics show that the output of the main textile products has already met this year's production targets half a month ahead of time. [Text] [Beijing XINHUA in English 1109 GMT 22 Dec 86 OW] /12858

CEMENT PRODUCTION RISE--Beijing, 30 December (XINHUA)--China produced a record amount of cement this year, according to the State Bureau of the Building Materials Industry. A bureau official said that so far this year, 158 million tons of cement has been produced, an 8 percent increase over last year. The problem of a shortage of cement in the northwest, southwest and east of the country has been solved with the price per ton reduced from 150 yuan to 120 yuan, a price which has been stable for a time, the official said. According to the official, about one-third of the cement-making enterprises including some rural ones will be renovated and upgraded during the coming few years. [Text] [Beijing XINHUA in English 0854 GMT 30 Dec 86 OW] /12858

PETROCHEMICAL OUTPUT--China's petrochemical industry turned over to the state 15 billion yuan (about 4.05 billion U.S. dollars) in profits and taxes last year, more than all other industries. The industry produced 44.09 million tons of gasoline, kerosene, diesel and lubricant oil, a 10.7 percent increase over 1985. It also produced 680,000 tons of ethylene, 1.29 million tons of plastics, 316,000 tons of synthetic fibre and 4.03 million tons of carbamide. [Text] [Beijing XINHUA in English 0645 GMT 1 Jan 87 OW] /12858

PAPER MILLS FACE RAW MATERIAL SHORTAGE--Beijing, 5 January (XINHUA)--China's paper-making industry is facing an urgent wood pulp shortage, according to today's issue of ECONOMIC INFORMATION. "Annually China spends one billion U.S. dollars of foreign exchange importing 500,000 tons of wood pulp to ease the shortage of raw materials in its paper mills," the newspaper said. "In China, grass makes up 80 percent of the raw materials used in the paper-making industry, but it cannot turn out enough high-quality paper products," the paper said, "and efforts must be made to raise the percentage of wood pulp used in the paper-making industry." Statistics show, in 1986, China used 5 million cubic meters of wood to make paper, and it is predicted, by the year 2000, 19 million cubic meters of wood will be needed if China is to use a 35 percent wood pulp content. [Text] [Beijing XINHUA in English 0908 GMT 5 Jan 87 OW] /12858

CSO: 4020/84

SMALL-SCALE ENTERPRISES

RURAL ENTERPRISES DO MORE FOREIGN BUSINESS

OW221326 Beijing XINHUA in English 0642 GMT 22 Dec 86

[Text] Beijing, 22 December (XINHUA)--More and more rural enterprises are engaged in doing business with foreign companies, according to the Ministry of Agriculture, Animal Husbandry and Fisheries.

Over the past three years, rural enterprises involving foreign investment have increased a lot, a ministry official said, "in coastal areas alone, they number over 1,000 with an annual increasing figure of 200."

The foreign partners of the enterprises have come from 20 countries and regions including Britain, Canada, Federal Germany, France, Japan, the Philippines, Singapore, Thailand and the United States, the officials said.

From January to November, the official said, there were at least ten foreign business people who came to negotiate with the rural enterprises everyday.

"They're involved in the areas of machine building, mining exploration, food industry, garment making, chemical producing, electric industry, local and livestock products and arts and crafts works," he said.

Over 1,000 rural enterprises are involved in many types of businesses including, processing foreign raw materials, assembling foreign machine parts, copying products from foreign samples or doing business on the basis of compensation trade. They occupy 90 percent of the whole country's enterprises doing such business.

At present, there are over 70 million people working for 12 million rural enterprises which have an annual increase rate of 20 percent in their total output value, the official said.

At least one per thousand is making products for export, the official said, "they make products in 20 categories and over 3,000 types which are exported to 100 countries and regions."

Last year, rural enterprises earned foreign currency worth US\$4 billion, over 10 percent of the total of the entire country. This year the total output value produced by rural enterprises will be 330 billion yuan (US\$91 billion),

surpassing that of the agricultural sector for the first time, the official said.

"Therefore, we will continue to encourage them to do business with foreigners and back them by whatever means possible," the official said.

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CSO: 4020/87

SMALL-SCALE ENTERPRISES

POLICIES RELAXED TO DEVELOP TOWNSHIP ENTERPRISES

HK250712 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 24 Dec 86

[Text] The Provincial Party Committee and Provincial Government have recently issued a document on a number of supplementary regulations on developing township enterprises. They have decided to further relax policies to vigorously support township enterprises to develop.

The supplementary regulations point out: Enterprises jointly run by households and household enterprises must be treated equally without discrimination and encouraged to develop. Policies must also be relaxed in the following aspects:

1. Procedures for industrial and commercial registration must be simplified.
2. They can be operated by attaching themselves to state-run or township collective enterprises or by keeping ties with households.
3. Necessary support must be given to and necessary care taken of them in the aspects of credit and taxes.
4. Regarding enterprises jointly run by households, the principles of voluntary integration, of raising capital by themselves, of selecting leaders by themselves, of independent operation, and of assuming sole responsibility for profits and losses by themselves must be implemented. Upper-level administrative organs must not send cadres down and interfere in the assignment of workers and in the dividends of shareholders.

The supplementary regulations allow people to raise the necessary capital for township enterprises in many forms and through many channels and stresses that it is imperative to strengthen leadership over and management of township enterprises.

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CSO: 4006/259

SMALL-SCALE ENTERPRISES

LIAOWANG EXAMINES COUNTRY'S INDIVIDUAL ECONOMY

HK221214 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 50, 15 Dec 86, pp 21-22

[Article by Li Yongzeng (2621 3057 1073): "The Fast Developing Individual Economy in China"]

[Text] In early December, representatives of individual works, who are often spoken of by people in China, gathered in Beijing to officially establish their national organization--China's Individual Workers' Association. This event fully demonstrates that the individual economy, which was almost stamped out for a time in China, has not only recovered, but has also become a considerable force in the national economy. In all socialist countries, China's individual workers are most active and free.

The Tortuous Course of Development

In mainland China, the individual economy involves mainly small industries, the handicraft industry, the transport industry, the construction and house maintenance industry, commerce, the catering trade, and other service trades. According to relevant regulations, urban and rural citizens are allowed to operate individual or household enterprises within the above-mentioned scope, and they can also hire assistants and apprentices. That is, they can hire labor.

By the end of September this year the number of individual industrial and commercial enterprises reached 11.62 million throughout the country, with a total of 17.66 million workers. The number of individual enterprises increased by 270,000 and the number of workers increased by 470,000 over the first half of last year. The number of workers in the individual economy is now 126 times as much as that eight years ago.

China was previously a country with a large number of individual craftsmen and shop keepers in the cities and countryside. After the establishment of the socialist system in 1949, most industrial and commercial enterprises in the cities were changed into state-owned enterprises, and those in the countryside were also gradually collectivized. Under the policy of "utilizing, restricting, and transforming" the individual industrial and commercial enterprises, their production, produce marketing, and material purchases were subject to management by relevant government departments, and the scale of the

individual economy became smaller and smaller, with their role in social life being continuously weakened.

After the late 1950s, CPC policies became more obviously "leftist," and the individual economy declined rapidly, as it was then something that had to be eliminated. During the 1--Year "Cultural Revolution," all individual businesses were banned, and even peasants were not allowed to retain a small private plot of land around their houses, as the private plots were regarded as the residual tail of capitalism which must be cut off. According to statistics in 1978, in a large country of 1 billion people, there were merely 140,000 people still engaged in individual businesses.

The direct consequence of the shrinking of the individual economy was the great deal of inconvenience in urban and rural residents' daily lives. In 1978, there were only 1.25 million retain, food, and other service trade shops, less than half the number in 1957.

In 1979, the state decided to restore and develop individual industry and commerce. In 1980, at a national work conference on employment, the central authorities pointed out more clearly that it is necessary to develop the individual economy to a proper degree, and that the labor force should be absorbed by state-owned, collective, and also private enterprises so as to solve the serious unemployment issue at that time. After that, the state formulated a series of policies to encourage peasants and urban residents to develop tertiary industry. Retired workers were allowed to operate individual shops. Some small shops were leased or contracted for individual operation. All such measures pushed the individual economy in China into its golden age. Individual undertakings are not only encouraged by the authorities' policies, but are also protected by law. The point that "the state protects the legitimate rights and interests of the individual economy" was also enshrined into the constitution.

In some areas where policies toward the individual economy are carried out more flexibly, the development of the individual economy has greatly exceeded the development of state-owned and collective enterprises. For example, in Wenzhou, Zhejiang, between 1981 and 1985, production by state-owned industrial enterprises increased by 53 percent, that of collective enterprises by 163 percent, while that of individual enterprises increased by 1960 percent. As for annual growth rate, that of the state-owned enterprises was 8.85 percent, collective enterprises 22 percent, while that of individual enterprises was as high as 80 percent. Today the output value produced by Wenzhou's individual economy accounts for nearly 30 percent of the total industrial output value, and individual and collective enterprises account for three-quarters total retail sales volume. The joint development of various economic elements and forms has brought a good reputation economic prosperity to Wenzhou.

Individual Shops Are Welcomed by the Public

The benefit to the public brought by the development of the individual economy is obvious to all people, and it can be summarized into the following points:

--Make the production of small commodities flourish. The demand for small commodities is small, there is a large variety of small commodities, and they change quickly. It is not economic for state-owned and collective enterprises to produce such commodities. As they operate on a small scale, individual industrial and commercial enterprises are more adaptable to producing small commodities. They can fill a gap in the national economy and provide necessary services for the public.

--Increase the number of retail and service shops and offer more convenience to the people. By the end of last year, there were a total of 10.67 million retail, food, and service shops throughout the country, or 8.5 times as many as eight years ago. Over 80 percent of these shops, totaling more than 8.7 million, are operated by individuals.

--Restore the traditional cliao channels and promote material exchanges between the cities and countryside. As the state allows individual traders to transport goods for sale over short or long distances, this plays a big role in supplying the cities with sufficient farm produce, especially fresh and live products.

--Increase the strength of the repair trades. In recent years, people have bought a great deal of household electrical appliances and consumer durable goods. Thus, the demand for repair services has doubled and redoubled in society. This gap has also been filled by individual shops.

--Produce traditional handicraft art articles and serve food with special local flavors. This is also a major characteristic of individual businesses.

--Create jobs and help solve the employment issue in the cities and countryside, thus helping the shift of surplus rural labor force from farming to other industries. According to statistics, the employment of a new worker in a state-owned enterprise costs the state an average of 16,000 yuan capital investment. In the past few years, the individual economy has provided more than 10 million jobs, and this has undoubtedly helped the state solve a major and difficult problem.

--Increase state revenue resources. In 1985 alone, individual enterprises paid a total of over 3 billion yuan in state taxes. A private enterprise in Dalian paid 80,000 yuan in state taxes in only four months in 1984. So long as tax collection work is properly organized and managed, the private economy will be a major state financial source.

--Promote changes in people's values. The influence of the individual economy is great but invisible. Individual business operators do business with small capital and they do not have any "iron rice bowl." In order to survive, they must pay attention to their business goodwill and service quality, and they are competing in an invisible way with state-owned and collective enterprises. Such competition also promotes these bigger enterprises to improve their management and operations and to strive for better economic results. The existence of individual businesses is itself a forceful challenge against egalitarian practice, the "big pot" system, and the "iron rice bowl."

Lessons Drawn From Previous Twists and Turns

There have also been some twists and turns in the general trend of rapidly developing the individual economy. For example, the number of individual enterprises decreased for the first time during the first half of this year compared with the past few years. The number of individual enterprises decreased by 360,000 and the number of people engaged in individual businesses decreased by 470,000. There are complicated reasons for such a phenomenon, but they can be summarized in the following two main points:

First, under the influence of long-standing "leftist" ideology and policies, quite a few people in society still hold a prejudice against individual business operators. In their eyes, individual business operators are the main source of many unhealthy tendencies in society: These people disregard the state's interests; evade taxes to a serious degree; often practice fraud and do not observe trade ethics by harming the consumer's interests; some individual peddlars set up stalls in a disorderly way, and affect traffic and the city's appearance. In short, "All businessmen are crafty profiteers." So, some people try, by every possible means, to obstruct individual operator's businesses, and make things difficult for them. They even made it difficult for individual operators to obtain business licenses.

We do not deny that there are indeed some "black sheep" among individual business operators. They do illicit things and harm the interests of customers, thus producing an evil influence. Under these circumstances, although the government laid down policies for encouraging development of the individual economy, individual business operators still feel that their social status is low and they are still despised in society and have no bright future. So, they want only to make big money in a short time by making use of the opportunity brought about by the encouraging policies rather than doing business in an honest and down-to-earth manner throughout their lives as individual operators. They think that after making big money, they should "retire at the height of their business" and look for an "iron rice bowl."

Second, state policies toward the individual economy do have something unstable and imperfect, and this also has caused pressure on individual business operators. Some of them have even been forced to close their shops. Among other improper things, unreasonable and excessive levies and charges of all descriptions are most criticized by the people. In recent years, the bad tendency of charging unreasonable and excessive fees and levies has not been checked. Even large state-owned enterprises cannot bear such burdens. Still less can individual enterprises. Complaints can often be seen in newspapers. After paying taxes and administrative fees, individual business operators often have to pay many kinds of mandatory fees and contributions in the names of "sponsoring" something, or "raising funds" for something. In the aspects of taxation, bank loans, and circulation channels for goods, many things have yet to be improved.

Central local authorities have all noticed the decline in the individual economy, and have immediately reiterated that State Policy for developing the individual economy will remain unchanged for a long time. Positive measures have been taken to provide favorable conditions for development of the

individual economy. According to statistics for the second half of this year, the individual economy has risen again, and the twists and turns of the first half of this year have been terminated.

Today the individual economy foundation in China remains rather weak. If no substantial support is given to it, the individual economy may be shaken severely when encountering unfavorable factors, and the good situation may easily disappear. This is a lesson we should draw from the previous twists and turns.

The Labor Hire Issue

As long as the individual economy is developing, hiring labor is certainly an issue that must be solved. The "Policy Regulations on Non-Farming Individual Economy in Cities and Towns" promulgated by the State Council on 7 July 1981 stipulates: "An individual enterprise, in general, is operated by one person or by one household. If necessary, with the approval of the industrial and commercial administrative department, individual enterprise can hire one or two assistants; those that need special skills or need skilled workers can hire two or three, and at most five, apprentices." However, actual practice has long and far exceeded such limits.

Private employment of labor appeared in China in 1981 and has developed rapidly since 1983. According to surveys in Liaoning, Hebei, Tianjin, Shaanxi, Shandong, and six other provinces and municipalities, labor hired by individual enterprises in 1985 accounted for 2-3 percent of the total rural labor force. In Liaoning Province, private enterprises which hired workers in 1983 numbered 5,220 and they hired more than 40,000 workers; in 1984, the figures increased respectively by 257 and 228 percent; and in 1985, they increased by another 95 and 90 percent. In Shanxi Province, laborers hired by individual enterprises accounted for 5 percent of the total rural labor force in 1983, and accounted for 12 percent in 1985. In Hebei Province, the proportion was 3 percent in 1985; and in Guangdong Province, it was about 5 percent. According to a survey, 0.55 percent of the country's peasant households hired long-term farm [word indistinct] 1985, and hired farm laborers accounted for 1.84 percent of the total rural labor force.

At present, the state is basically taking a "wait and see" attitude toward the individual enterprises labor hiring issue.

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CSO: 4006/259

SMALL-SCALE ENTERPRISES

BRIEFS

SHANDONG TOWN-RUN ENTERPRISES--Shandong Province has made marked progress in developing town-run enterprises. To date the province has more than 810,000 town-run enterprises that have accommodated more than 6.8 million staff members and workers, who account for 23 percent of the province's total rural population. The total output value of town-run enterprises accounts for one-fourth of the province's total industrial and agricultural output value.

[Excerpt] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 19 Dec 86 SK] /12913

CSO: 4006/259

AGRICULTURE

UN LOANS HELP DEVELOP BEIJING DAIRY PRODUCTION

OW200436 Beijing XINHUA in English 0129 GMT 20 Dec 86

[Text] Beijing, 20 December (XINHUA)--Farmers in Beijing's suburban counties have used non-interest loans to develop their dairy industry, which has helped some of them to get rich quickly.

Two years ago, the Food and Agricultural Organization of the United Nations offered free aid--a batch of milkpowder and butter--to China, hoping the money earned by selling the aid would be used to develop its dairy industry in six large cities.

Strictly abiding by the contract, the Beijing municipal government has turned 36 percent of the earnings into non-interest loans which were lent to rural individuals. They used the cash to raise more milk cows, according to a municipal official.

"Over the past two years, we have lent more than 9 million yuan to help farmers develop dairy production," he said, adding that among the 13,800 milkcows raised in the suburbs, 3,300 have been bought with the loan.

One of the beneficiaries, Liu Jinghua, a woman in Lihua village of the suburban Daxing County, bought 8 dairy cows with a loan. Each day, four of them can produce 100 kilos of milk worth more than 60 yuan. The daily income is much higher than that for average villagers.

There are seven families in the village which have followed Liu's example, said a village leader, "another 47 households have also applied for such a loan."

However, the Beijing government official said, "we only grant loans to individuals and collectives that have a good knowledge and the technology for raising livestock."

In order to promote dairy production, the government has provided the dairy farmers with various services including fodder supply, epidemic prevention, breeding and milk collection. The official said, "it has helped ease the shortage of milk by promoting the dairy industry of the city."

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CSO: 4020/81

AGRICULTURE

ECONOMIC COMMISSION SUPPORTS AGRICULTURE

OW070248 Beijing XINHUA in English 0146 GMT 7 Jan 87

[Text] Beijing, 7 January (XINHUA)--The State Economic Commission has worked out a new program for industry to support agriculture in a bid to ensure a continued good harvest this year.

According to the program, industry is required to support agriculture in the following areas for the first half of this year:

-- Those sectors producing chemical fertilizer, pesticides, plastic film and agricultural machinery and tools should ensure meeting production quotas. The supplies of natural gas, light and heavy diesel oil, electricity and high-grade coal must be guaranteed to fulfill a planned target of producing one million tons of chemical fertilizer this year;

-- Transportation departments should coordinate the shipment of phosphate stone from Yunnan and Guizhou provinces for the production of phosphate fertilizer;

-- Commercial departments are required to ensure the supply of fertilizer, plastic film and other materials essential to spring ploughing;

-- Industrial sectors and scientific institutions should provide technical services, information, and assist in the prompt processing of agricultural produce;

-- To actively support and ensure a steady and healthy development of rural industries by providing proper guidance and strengthening management.

The State Economic Commission has set up a leading group to coordinate the efforts to aid agriculture and urged all areas to regard the work as a matter of major importance and organize the work well and solve any problem promptly in order to prevent losses.

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CSO: 4020/81

AGRICULTURE

'SPARK PLAN' SUCCEEDING IN COUNTRYSIDE

HK231103 Beijing CHINA DAILY (BUSINESS WEEKLY supplement) in English
17 Dec 86 p 4

[By staff reporter Da Chansong]

[Text] China's countryside, where 80 percent of its population live, is sparking into new life with modern science and technology.

The Spark Plan, named after a Chinese saying that a single spark can start a prairie fire, has gained initial success after just over a year.

Launched by the State Science and Technology Commission, the Spark Plan may break a new path for rural prosperity and industrializing the countryside.

The plan was drawn up in view of the rapid development of China's township enterprises. It aims at extensively introducing modern science and technology to rural areas, including new techniques, equipment, materials and technicians, in the shortest period of time and with the quickest economic benefits.

Among the 39 State-designated projects that started trial operation in the second half of 1985, 13 have begun producing benefits. The total of 4,018 State, province and township projects fixed early this year are expected to turn in economic benefits within two years. Presently, about 70 percent of them have achieved their first phase targets.

Some 2.2 billion yuan was invested in these projects. Of this, only 60 million yuan was from direct State grant with 300 million yuan of State loans and 1.9 billion yuan from local sources.

After two or three years, these projects are expected to increase output value of more than 10 billion yuan, with profits of 2.5 billion yuan, according to the Commission.

The 4,018 projects include new types of breeding technology, storage, transport maintenance and processing; comprehensive utilization techniques

of native products from agriculture and forestry; township construction and its materials; mining, initial processing technology; utilization of new technology and materials; production of accessories for big enterprises; export-oriented products; small-scale production equipment; and personnel training.

By the end of this year, the training of rural technicians will hit 1 million, 4 times up over the fixed plan.

Some of the above projects not only reach the advanced domestic level but are also close to world standards.

A gunny sacking production line at Mudanjiang Textile Raw Material Factory in Heilongjiang Province took less than six months to reach an annual output of 250 tons and its quality is close to that of Britain. With Hong Kong acting as the firm's agent, it is able to gain \$2 million foreign currency annually. The \$2.5 million investment will easily be recouped.

An aquatic research institute in Hunan Province has developed technology for the artificial propagation and raising of special type aquatic products such as shelled turtles and turtles, which has spread to 1,412 units and individuals in 24 provinces and cities nationwide. The institute, with a staff of only 50, will receive 700,000 yuan income this year, with a net profit of 400,000 yuan.

The Spark Plan has also attracted world attention. The United Nations Developing and Research Centre regards the plan not only as of special significance to China's modernization but also as having provided precious experience for the Third World countries.

About 12 countries and organizations, including the German Democratic Republic, Federal Republic of Germany, Czechoslovakia, Hungary, Poland, New Zealand, Italy, World Bank, EEC, the United Nations and the United Nations Developing and Research Centre, have expressed their hope to join in the plan.

The Federal Republic of Germany has reached an agreement with Shandong Province on the production of grape wine, high quality fabrics, plastics, and moulds processing.

The United Nations is willing to provide further cooperation with China on food processing, further opening up of countryside, scientific research and personnel training.

The World Bank also plans to send people to China to investigate the food industry, while Holland and Hunan Province are working in the field of animal husbandry.

Large-scale enterprises are necessary for China's modernization. But a prosperous local economy depends mostly on small and medium-sized enterprises,

especially township enterprises with more flexibility and decision-making power, said an official from the State Science and Technology Commission.

The Spark Plan is a long-term programme which needs more work. Between 1987 and 1989 the State plans to set up new enterprises to make key products with the aim of creating 10 billion yuan in increased output after the third year.

The State also expects to choose 20 counties in an experiment in comprehensively opening up mountain areas, and 10 trial spots of beaches and islands to develop breeding, animal husbandry and planting.

Taking the advantages of the cities superior knowledge, pool of talented people, industrial bases, markets and transport, the State plans to establish 20 relatively concentrated districts, aiming at developing famous brand and export-oriented products with local resources; providing suitable equipment for township enterprises; developing accessory products for big enterprises; and training managerial personnel in the suburbs and nearby countryside.

The State will hold various kinds of fairs concerning the Spark Plan in the first half of 1988.

The rural enterprises are now playing an increasingly important role in the nation's economic and social life. By the end of 1985, they had employed over 60 million people, accounting for 20 percent of the total rural labour force, with an output value of 24.8 billion yuan.

According to a survey, every 100 yuan of fixed asset investment in State industrial enterprises can generate an output value of 96 yuan and a little more than 20 yuan in profits. For township enterprises, however, the same amount can turn out an output value of 229 yuan and 34 yuan profit.

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CSO: 4020/82

AGRICULTURE

TOBACCO INDUSTRY REMAINS UNDER STATE CONTROL

OW201240 Beijing XINHUA in English 1237 GMT 20 Dec 86

[Text] Beijing, 20 December (XINHUA)--China this year has produced more high quality cigarettes, a senior official said here today.

Ma Erchi, deputy general manager of the China Tobacco Corporation, told XINHUA that the country turned out more than 23 million cases of cigarettes from January to November this year, a 9.7 percent increase over the same period last year. He noted that the output of the first-class cigarettes rose by 43 percent and the production of filter cigarettes jumped by 54 percent in comparison with the corresponding period last year.

The deputy general manager attributed the progress to the policies set by the state. "In a country with more than 200 million smokers," he said, "the central government is urging cigarette factories to develop higher quality cigarettes." "The government also made it clear that free competition is not allowed in the tobacco industry and the state plan must be strictly observed from tobacco planting to cigarette making," he added.

This year, Ma's corporation regularly announced to the public the results of quality examination. "A factory will be ordered to stop production and its director removed if it fails to pass four examinations," he said.

He said that most cigarette factories in the country have renovated their equipment in the past few years and now almost 20 percent of all cigarette making machines are up to advanced international standards of late 1970's.

This year, the industry has imported 700 sophisticated machines including cigarette cutters that cut 8,000 cigarettes a minute, according to Ma.

He also said progress has been made in quality tobacco growing which is now undertaken jointly by the factories, research institutes and the tobacco growers.

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CSO: 4020/82

AGRICULTURE

BEIJING FACES IMPENDING WATER SHORTAGE

LD292148 Beijing XINHUA in English 1440 GMT 29 Dec 86

[Text] Beijing, 29 December (XINHUA)--Beijing, capital of China, is looming in a water shortage, but the public's lack of awareness has hampered the efforts of the authorities and specialists in dealing with it, according to the latest issue of BEIJING REVIEW.

Many capitals in the world are near water, but Beijing is located in a dry area with little precipitation and has no major rivers.

Over the years, the city has gone all out to tap its water resources, including those underground. It has built 86 reservoirs and dug 40,000 water wells. But, as demand for the water has outstripped the supply for many years the water level of all the reservoirs has plummeted, so has that of underground water. In recent years the city's running water supply has decreased at a rate of 5 percent a year, while demand increased by 7 percent.

Experts predict that after 1990 in a bad year Beijing will [word indistinct] 600-800 million cubic meters of water [word indistinct]. They say the rainfall in the city is not likely to increase, neither is it likely that new water sources will be found in the near future.

The water shortage in Beijing has a long history, but most people have discounted it. They worsen the situation with their carelessness.

Experts are suggesting diverting water from the Luanhe, Huanghe (Yellow) and Changjiang (Yangtze) rivers to the city and building a new reservoir at Zhangfang. The most practical immediate action that can be taken, they suggested, is to save as much water as possible in industrial, agricultural and daily life.

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CSO: 4020/82

AGRICULTURE

HEBEI VEGETABLE MARKETS STABLE YEAR-ROUND

Shijiazhuang HEBEI RIBAO in Chinese 27 Oct 86 p 1

[Article by Feng Peilian [7458 1014 1670]: "This Province's Vegetable Markets Basically Have No Slack Season; 'Three Lacks in Spring and Eight Slacks in Autumn' Not Applicable"]

[Text] When a policy of controlled procurement and monopoly sales is implemented, the rule for vegetables is "Three lacks in spring, eight slacks in autumn, abundance in June, and overripe in July." This year, after decontrol of vegetable prices, Hebei's vegetable markets happily experienced no "three lacks in spring," nor "eight slacks in autumn."

The main indication of the absence of a slack season is the increase in the amount of vegetables coming to market. According to statistics from Hebei's nine provincially administered municipalities, during August and September of this year's autumn slack season, more than 120 million kg of vegetables came on the market, with per capita daily vegetable consumption being more than 390 grams. Among residents of Baoding, Shijiazhuang, Zhangjiakou, Handan, Xingtai, and other cities, per capita daily consumption of vegetables was over 400 grams. During the two slack seasons, urban residents consumed an average of 337 grams of vegetables daily. Seldom have urban residents been able to eat so many vegetables in the slack season.

The main reasons for the lack of a slack season in vegetable markets this year are adequate supplies, open channels, and the leadership exerted by state-run vegetable companies. In the last 2 years, Hebei's cities have successively decontrolled vegetable prices, turning vegetable production and marketing authority entirely over to vegetable farmers, which has mobilized their productive enthusiasm. Not only have they expanded their sown areas according to market demand, they have also enthusiastically adopted new techniques and implemented scientific planting, properly handled crop rotation, and raised the utilization rate of vegetable plots. According to statistics, the area sown in spring and fall vegetables this year in Hubei's various municipalities increased 17.6 percent over last year, and yields have increased 19 percent. Although we are now entering the frost season, there are still more than 20 varieties of vegetables coming onto the market, their average price being about 12 percent lower than last year at the same time.

This year, in order to make up for market shortages during the spring and fall slack season, the state-run vegetable companies brought in more than 30 million kg of various vegetables from outside, accounting for 42 percent of their total operating volume and 20 percent of the total volume coming to market. This has had an important effect in keeping prices down.

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CSO: 4006/145

AGRICULTURE

NORTHERN PROVINCES READJUST CORN PRICES

Beijing NONGMIN RIBAO in Chinese 6 Nov 86 p 2

[Unattributed article: "Heilongjiang, Jilin, Liaoning, and Nei Monggol Readjust Corn Purchase and Sale Prices"]

[Text] With the approval of the State Council, the State Price Commission, the Finance Ministry, and the Commerce Ministry recently decided to readjust corn purchase and sale prices in Heilongjiang, Jilin, Liaoning and the Nei Monggol Autonomous Region.

The corn purchase price (standard grade) was raised from 0.196 yuan per kg to 0.216 yuan. The corn proportional price (standard grade) was raised from 0.264 yuan per kg to 0.292 yuan.

After the corn purchase price was raised, the purchase prices of cornmeal and corn residue were raised correspondingly. The purchase price of cornmeal was raised from 0.23 yuan per kg to 0.25 yuan; for corn residue, the purchase price was raised from 0.27 yuan per kg to 0.30 yuan. The proportional price for cornmeal was raised from 0.29 yuan per kg to 0.33 yuan; for corn residue, it was raised from 0.34 yuan to 0.40 yuan. Price differences by grade still follow the original provisions.

Sale prices of corn, cornmeal and corn residue: when proportional prices are currently used, these are supplied at the post-readjustment proportional price. A change will be made in those now supplied at original monopoly prices so that they are supplied at the post-readjustment purchase price. Those now supplied at monopoly prices will not have their sale prices changed. Those now supplied at the proportional price plus costs will be supplied at the post-readjustment proportional price plus costs.

After the increase in purchase price, corn allocated under interprovincial and intraprovincial plans will be priced according to the post-readjustment purchase price plus handling costs.

The corn purchase price will be readjusted when the new 1986 grain comes on the market. The sale prices of corn, cornmeal and corn residue will be readjusted as of 20 October 1986.

13322/9716

CSO: 4006/145

AGRICULTURE

SUSTAINED GROWTH IN SICHUAN HOG PRODUCTION

Beijing ZHONGGUO SHANGYE BAO in Chinese 25 Oct 85 p 2

[Unattributed article: "Good Momentum for Sustained Growth in Hog Production in Sichuan; Purchase and Sale Guideline Prices Take Account of Everyone's Interests"]

[Text] In Sichuan Province, China's largest producer of hogs, there are so many hogs that it is never difficult to buy one. Many peasants report that good policies mean that hogs have become a means of getting rich.

According to statistics from the relevant Sichuan departments, at the end of last year there were 56.7 million hogs in inventory, and 44.69 million had been removed from inventory, increases of 5.7 percent and 15 percent, respectively, over the previous year. Hogs exported to other provinces and abroad numbered 6.82 million, a 34.2-percent increase over the previous year. In the first half of this year, there were 620.68 million hogs in inventory, with 202.82 million removed from inventory, both setting all-time records; exports of hogs to other provinces and abroad continued to sustain their growth momentum.

How is it that hogs can be produced and sold so well in Sichuan? The comrade in charge of the province's Policy Adjustment Research Office told this reporter: "The key is for purchase and sale guideline prices to take into account the interests of all parties, allowing producers and operators to plan for profits, consumers to accept the prices, and the state to benefit. But we have paid very high tuition for learning to control this golden key."

In 1979, purchase and sale prices for hogs were raised throughout China. Sichuan Province, not taking into account such unfavorable conditions as long transport distances for sales outside the province and low consumption levels inside the province, blindly brought its prices into line with the rest of the country. The result was that "good prices failed to warm the peasants' hearts." Consumption in the provincial market declined; Sichuan hogs sold outside the province lacked competitiveness. The communications departments worried about sales, and in many areas the peasants had trouble selling their hogs. The following year they had to sell off stored pork at reduced prices, and the food departments alone lost more than 100 million yuan. This slow-selling trend was so painful for the peasants that hog production was affected.

After the purchase and sale of hogs were decontrolled last year, purchase prices again rose 30 percent throughout the country. Sichuan failed to heed the trend; given the province's actual conditions, with hog-raising costs being low and transport costs for outside sales being high, it merely floated the purchase price upward by 10 percent (and by 2 to 3 percent in each subsequent year) on the basis of the 1984 average of 0.64 yuan per 500 grams. In addition, the award sale of feed grain for each hog turned over by a peasant was raised from 25 kg to 35 kg. The policy was reasonable, and hog production grew steadily. In a little more than a year, of the province's 20 prefectures, municipalities, and autonomous prefectures, 19 showed increased hog production. In six prefectures and municipalities, including Chongqing, Chengdu, Deyang, and Mianyang, hog production in the first half of this year increased 20 percent over the same period last year. The rate of hogs removed from inventory for the whole province reached 78.8 percent, and in 22 counties it reached 100 percent.

The purchase price for Sichuan hogs did not follow the upward trend. Therefore, at a time when the sale price of pork around the country has gone up 40 percent, the sale price of pork within Sichuan has only gone up 12 percent. The sale price of pork in Sichuan's state stores is 1.08 yuan per 500 grams. Consumers accept this price, and the market within the province continues to expand. From January through July last year, 80 percent of the hogs removed from inventory were sold within the province. At the same time, the prices of Sichuan hogs leaving the province were the lowest in the country, making them very competitive. There is a reasonable price gap of about 11 yuan between hogs sold and purchased, and circulation departments are thrilled about it. In a little more than a year, Sichuan hogs have gone knocking on the doors of 46 large, medium, and small cities in 22 provinces, municipalities, and autonomous regions around the country. Hogs leaving the province account for 27 percent of the allocated quantities of domestic hog-production areas, putting Sichuan in first place. The three farthest eastern provinces are several thousand km from Sichuan, yet Sichuan hogs get through all the same. From January of last year through July of this year, Sichuan's food departments had profits of 91.37 million yuan, of which 85 percent came from the outside sale of hogs. This not only eases pressure on the province's financial departments, but last year prefectural and county financial departments also earned 25.31 million yuan last year.

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CSO: 4006/145

AGRICULTURE

BRIEFS

NATIONAL FORESTRY MEETING IN HUBEI--Wuhan, 23 December (XINHUA)--More than 180 Chinese forestry experts suggested that China build 20 large timber forest centers to cope with decreasing resources at a national meeting in session in this capital of Hubei Province. With a total territory of 9.6 million square kilometers, China has only 115 million hectares of forests, with timber resources at 9 billion cubic meters. This is far behind of the country's needs, the experts said. To be located in eastern and southern China, the suggested centers of 40 million hectares are expected to produce a total of 200 million cubic meters of timber annually by the turn of the century, and more than 350 million cubic meters of timber by 2010. They said all the centers are original sites of timber forests with good natural conditions for reafforestation. [Text] [Beijing XINHUA in English 1229 GMT 23 Dec 86 OW] /12858

TOBACCO EXPORTS--Nanning, 12 December (XINHUA)--China's tobacco exports have jumped 25 percent over last year, an official from the National Tobacco Corporation said here today. Tobacco leaves of 25,000 tons were sold to some 20 countries and regions, Jin Maoxian, deputy general manager of the corporation, said at a National Tobacco Production Meeting ending here today. China, one of the world's major producers, has planted tobacco on 940,000 hectares of land this year, and in spite of a lower yield caused by natural disasters, tobacco exports this year are a record high, said Jin. He attributed the success to the country's efforts in developing fine strains of tobacco and expanding the growing areas for high-quality tobacco. [Text] [Beijing XINHUA in English 0840 GMT 12 Dec 86 OW] /12858

AGRICULTURAL OUTPUT TO INCREASE--Beijing, 21 December (XINHUA)--China's agricultural output value is expected to reach 303.8 billion yuan this year, up 4.4 percent over last year, He Kang, minister of agriculture, animal husbandry and fisheries, announced Friday. The minister said that the country's total grain output is estimated to reach 390 million tons, over 10 million tons more than the 1985 figure. Output of pork, beef and mutton will reach 20.2 million tons this year, up five percent, and that of aquatic products may reach eight million tons, he added. Output value of China's rural enterprises are expected to top 330 billion yuan this year, outstripping that of the country's agricultural output value for the first time. "This marked a major change in the production mix in rural China," the minister stressed. More than 76 million peasants, about 20 percent of the rural workforce, are now engaged in non-farm activities, he added. [Text] [Beijing XINHUA in English 0645 GMT 21 Dec 86 OW] /12858

AQUATIC PRODUCTION INCREASING--Beijing, 27 December (XINHUA)--China's aquatic products industry is expected to produce eight million tons this year, a further step toward its target of 18 million tons in the year 2000, an official from the Ministry of Agriculture, Animal Husbandry and Fisheries said here today. He quoted Minister He Kang as saying that China hopes to become the biggest aquatic producer in the world. China is now the third largest producer of aquatic products. "There is great potential for further expansion of the country's fresh water breeding," the official said. His analysis shows the total output of aquatic products of the world has been around 70 or 80 million tons for many years. The output of the biggest producer, Japan, has also been around 10 million tons in recent years. In the long-run, the official said, there will be no big changes worldwide in aquatic production. China's aquatic production has been on the increase thanks to government policies, the implementation of the new law on fisheries, advanced breeding techniques and an abundant labor force. [Text] [Beijing XINHUA in English 0826 GMT 27 Dec 86 OW] /12858

HEILONGJIANG SOYBEAN HARVEST--Beijing, 14 December (XINHUA)--Northeast China's Heilongjiang Province harvested 950,000 tons of soybeans from 650,000 hectares of farmland, up 16.6 percent over last year, a local official said today. The province, a leading soybean producer in China, is expected to export 425,000 tons of soybeans. [Text] [Beijing XINHUA in English 0729 GMT 14 Dec 86 OW] /12858

HEBEI AFFORESTATION PROJECT--Beijing, 17 December (XINHUA)--A United Nations World Food Program and the Chinese Government will jointly undertake an afforestation project to plant 21,000 hectares of trees and seed 3,000 hectares of grassland in 5 years starting this year. The project involves 293 villages in the County of Pingshan in Hebei Province. The World Food Programme will provide 65,337 tons of wheat during the afforestation program and Chinese local governments will allocate 11.88 million yuan (about 3.21 million U.S. dollars) to the project. [Text] [Beijing XINHUA in English 1549 GMT 17 Dec 86 OW] /12858

WASTELAND AREAS CONFIRMATION--Beijing, 26 December (XINHUA)--After recent surveys, China has confirmed an area of 35.3 million hectares of wasteland suitable for agricultural production, according to today's GUANGMING DAILY. The paper quoted Lu Jiaxi, president of the Chinese Academy of Sciences, as saying, China also has 353 million hectares of grasslands. [Text] [Beijing XINHUA in English 1236 GMT 26 Dec 86 OW] /12858

AGROTECHNIQUE PROMOTION CENTERS--Beijing, 30 December (XINHUA)--China has established centers for the promotion of agricultural techniques in 200 counties this year. This has brought the number up to 700, accounting for one-third of the total number of Chinese counties, according to the National General Center for the Promotion of Agricultural Techniques. Among them, 316 have been formed with locally-collected funds, and the rest are jointly run by the central authorities and local governments. [Text] [Beijing XINHUA in English 1133 GMT 30 Dec 86 OW] /12858

FARM MACHINERY MEETING--Changsha, 3 January (XINHUA)--There is still great potential on China's agricultural machinery market, it was released [as received] at a national meeting on this topic being held here. The Chinese agricultural machinery had a total power of 300 million hp in 1986. It was 284 million hp in 1985, 75 percent more than it was seven years ago.

According to the meeting, peasants' needs for agricultural machinery is increasing, especially for trucks and tractors. However, the demand varies from region to region. The developed coastal areas need small and efficient machines, such as rice transplanters and combine harvesters. The poor regions need walking tractors and machines for processing agricultural products. [Text] [Beijing XINHUA in English 1055 GMT 3 Jan 87 OW] /12858

CSO: 4020/81

LABOR

HU JINTAO ATTENDS GUIZHOU LABORERS' FORUM

HK220813 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 20 Dec 86

[Text] The first provincial meeting on commending advanced individual laborers was held in Guiyang on 20 December. This morning [21 December], Provincial Party Committee Secretary Hu Jintao held a forum with the participants in the meeting.

[Begin recording] You comrades have just given many good opinions. I think the first problem is that we must establish new ideas. We have abundant natural resources here in Guizhou and have rapidly developed production over the past few years. However, the province's general level of economic development is low and we are still relatively backward. To speed up the exploitation of the province's natural resources and further enliven the market and circulation, we must vigorously develop collective and individual economy. Collective and individual economy is also the most active and dynamic part of the development of commodity economy in the province at present. The second problem concerns our imperfect economy and how to properly develop collective and individual economy in the service industry. Industry and commerce administration bureaus, individual laborers' associations, and economic management departments at all levels must open up channels for individual economic development in such areas as funds, materials, and sources of goods, so that individual industrial and commercial operators can compete with state-run and collective-run industrial and commercial units under equal conditions. On the one hand, banks must act according to their regulations on granting loans; on the other, they must study the problem of how to support individual economic development. At present, attention must be paid to taxes on individual industrial and commercial operators. An examination must be conducted on this. Repeated charges and unreasonable apportionment must be ended. The third problem, I think, concerns how to pay serious attention to the building of markets. Urban areas, towns and cities above the county level in particular, must treat the building of markets as a component part of urban construction and make overall planning and arrangements. They must speed up urban construction by such means as raising funds, obtaining loans, and issuing bonds.

The fourth problem concerns how to care for individual industrial and commercial operators politically, which you comrades have just mentioned. We must actively admit into the CPC or CYL those individual operators who have good political awareness, who have made outstanding achievements in developing

commodity economy and in becoming rich through labor, and who apply to join the CPC or CYL. I think CPC and CYL organizations should be set up in individual laborers' associations if conditions are ripe. [end recording]

After the forum, Comrade Hu Jintao had a group photo taken with more than 100 participants in the commendation meeting to mark the occasion.

/12913

CS0: 4006/259

LABOR

SICHUAN SURPLUS RURAL LABOR REDIRECTED

OW271112 Beijing XINHUA in English 0811 GMT 27 Dec 86

[Text] Beijing, 27 December (XINHUA)--Nearly 10 million people in China's most populous Sichuan Province have in recent years left their land to go in for industry, trade, and construction as the result of restructuring of the rural economy, the ECONOMIC DAILY reported today.

This accounts for one eighth of the province's total rural population. It is expected that another one million will be transferred to other trades in 1987 and five million will become non-farm workers as the 1986-1990 Seventh 5-Year Plan ends and as many as 20 million by the year 2000.

This province in southwest China has a rural population of 80 million, of whom 42 million are able-bodied laborers. But taken the amount of land, only 21.2 million would have been required.

Therefore, moving part of the labor force from the traditional crop cultivation is considered key to invigorating the rural economy in the province.

The provincial authorities have adopted effective policies over the past few years to channel surplus farm laborers into forestry, livestock breeding, side-line production and fisheries. At the same time, the province has opened rural industrial enterprises that have provided jobs to more than 4.7 million people.

The province also encouraged far laborers to run their own businesses and organized them to work in big cities as household helps or construction workers. It was estimated that there are 1.33 million people who have their own private businesses and shops and more than 30,000 women working in Beijing, Chongqing, Chendu and other big cities as household helps. The rank of construction workers both within the province and elsewhere has been swelled to 930,000.

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CSO: 4020/87

LABOR

INFLUX OF RURAL LABORERS INTO GUANGZHOU REPORTED

OW280257 Beijing XINHUA in English 0158 GMT 28 Dec 86

[Text] Guangzhou 28 December (XINHUA)--Some 200,000 rural laborers have come to the big factories in Guangzhou and they have caught the attention of city residents, according to local industry officials.

A labor shortage has developed in Guangzhou since 1981 with the rapid growth of the city's economy. The problem is particularly serious in construction, textile and other trades which call for hard work but the working conditions are comparatively poor.

Since 1985, rural laborers have poured into the plants in the city, from Meixian, Chaoshan, Hainan, Shaoguan and other counties as well as from seven neighboring provinces like Hunan and Guangxi.

The No. 2 cotton textile mill has so far recruited more than 700 peasant-workers, accounting for 17 percent of its present workforce. Most of them are women with an average age of 19.

Most of the peasant-workers are hard working, eager to be recognized by the society but they are undisciplined. Some found they could not get used to the strict operation rules of big enterprises. Out of the 525 such workers in Guangzhou Bulb Plant who were employed in 1985, 480 have quite their jobs this year.

While helping alleviate the labor shortage in the city, these people may have the opportunity of learning modern technical skills and this is viewed as one way of helping gradually reduce the difference between town and country in China, local authorities commented.

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CSO: 4020/87

LABOR

BRIEFS

MEETING ON PRODUCTION, STABILITY--The Shanghai Municipal Trade Union Council yesterday held a meeting to mobilize all trades in the municipality to unfold activities of having cadres love staff members and workers and having staff members and workers love their respective jobs. The meeting called on the broad masses of staff members and workers to develop the excellent situation, do their respective jobs well, consolidate and promote the political situation of stability and unity, and make active contributions to reform and construction. The municipal Trade Union Council asked cadres at the grass-roots level, especially cadres of trade union organizations, to further foster their sense of reform and opening to the outside world, sense of concentrating efforts to promote construction work, and sense of respecting, showing concern for an loving staff members and workers. It asked them to integrate ideological education with efforts to promote good feelings and use the force of affection, trust, and understanding to enhance the forceful sentiments of staff members and workers toward their respective enterprises. [Text] [Shanghai City Service in Mandarin 1600 GMT 24 Dec 86 OW] /12913

SONG HANLIANG ATTENDS MEETING--The fourth enlarged meeting of the members of the fifth Committee of the Regional Federation of Trade Unions concluded this afternoon. The meeting demanded: Trade union organizations at all levels must immediately go into action, unite and mobilize the workers of all nationalities throughout our region to act as models in observing professional ethics and enforcing labor discipline, and affect the whole society with a brand-new style and features for the working class so as to promote the deepgoing development of reform and of building two civilizations. At the meeting, the committee members discussed and revised the measures of the Regional Federation of Trade Unions on stepping up the building of spiritual civilization and adopted a corresponding resolution. At the meeting, committee members, Standing Committee members, and vice chairmen of the fifth Committee of the Regional Federation of Trade Unions were augmented. (Aubudula Hamudula), (Qi Tongfu), and (Wang Xiuying) are vice chairmen. Regional Vice Chairman Huang Baozhang attended the meeting to make a report on the economic situation to the committee members. This afternoon, leading comrades of the regional party and government, including Song Hanliang, Tomur Dawamat, Janabil, Li Shoushan, Huang Baozhang, (Qieyoumu Bawudong), and (Liang Guoying), attended the meeting and met all comrades. On behalf of the regional party committee, (Liang Guoying) spoke. [Excerpts] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 22 Dec 86 HK] /12913

LABOR FORCE ISSUES DISCUSSED--Sichuan's first conference on all-round arrangements and coordination of the social labor force and on switches in the rural labor force concluded in Chengdu on 25 December. The provincial government proposed that 1 million rural laborers be switched to other occupations next year. At present, switches in the province's rural labor force are mainly achieved through readjusting the agricultural structure, increasing the proportion of forestry, animal husbandry, sideline occupations, and fisheries, organizing the dispatch of labor services elsewhere, and opening the way to bringing into play the role of rural craftsmen and so on. So far 10 million rural laborers have been stitched to other occupations. Vice Governor Gu Jinchi pointed out at the meeting that switching the rural labor force to other occupations is an important measure for invigorating Sichuan's economy. The departments concerned must work in concert to grasp this work as soon as possible. The switching should be carried out through a variety of channels and forms. It is necessary to have a clear idea on the current situation of the labor force and on the ways for switching it to other occupations, improve the quality of the labor force, and ensure the fulfillment of the task of switching 1 million rural laborers next year.

[Text] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 25 Dec 86 HK]
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CSO: 4006/259

POPULATION

SERVICE NETWORK FOR AGED PEOPLE TAKING SHAPE

OW250716 Beijing XINHUA in English 0636 GMT 25 Dec 86

[Text] Beijing, 25 December (XINHUA)--A network to look after the needs of the aged people is taking shape in China, today's PEOPLE'S DAILY reported.

Up to the present, 26 provinces, municipalities and autonomous regions have set up aged people committees following the establishment of the national organization in 1982, with corresponding subsidiaries in prefectures and counties. Some villages have set up aged people associations to work for the benefit of the aged.

China has an estimated 88 million people above the age of 60. The number is expected to reach 120 million by 1995, accounting for 10 percent of the country's total population.

To make the remaining life of the aged people more meaningful and happier, universities for the aged have appeared throughout the country. The number has swelled from only one in 1983 to more than 120 this year. The old people can learn gardening, bird watching, cooking, painting and calligraphy and other knowledge in these schools.

In east China's Jiangsu Province and the largest industrial city of Shanghai, many hospitals offer special services to old people seeking medical help. Doctors either pay house calls or see patients in specially set up clinics. General hospitals give priority to aged patients in registration, treatment, and medicine. Shanghai and Tianjin have also set up special hospitals for the aged and offer house call services.

China has the traditional virtue to respect and look after old people and so most old people live with their sons or daughters. Only the childless old people are looked after by social welfare institutes in cities and homes for the aged in the countryside.

China has spent about 16 billion yuan (US\$4.3 billion) this year on retirement pay, free medical care and other social welfare services, according to the State Civil Affairs Department.

Now aided by the U.N. old people's fund, China and Japan are cooperating in studying population, economics, social welfare and medicine related to the old people.

Amidst the economic reforms, a new Social Security system is taking shape, which combines the efforts of the state, collectives and individuals.

Some people suggesting promulgation of a law concerning the aged people to deal with people who maltreat or refuse to look after their mothers and fathers too old to work.

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CSO: 4020/87

CONSTRUCTION

BRIEFS

TIANJIN CONSTRUCTION CONTRACT AWARDED--Tianjin, 19 December (XINHUA)--A Chinese company won a Tianjin Port construction contract today, outbidding 26 firms from various countries. The winner was a company attached to the Ministry of Communications, and the contract, worth 25.72 million yuan (about eight million U.S. dollars), is with the Tianjin Port Administration and China's International Tendering Company, which had called for tenders since August. The successful company is to reinforce an area of 480,000 square meters surrounding the dike, according to an official of the Port Administration. "The project is one of nine for which international tenders have been called," said the official, adding that there are altogether 12 projects at the port included in the State Seventh Five-Year Plan period (1986-1990). According to the official, the tendering companies are from Britain, Japan, Singapore, Italy, Switzerland, Hong Kong and the Chinese mainland. [Text] [Beijing XINHUA in English 1628 GMT 19 Dec 86 OW] /12858

CSO: 4020/85

TRANSPORTATION

PROPORTIONAL DEVELOPMENT OF TRANSPORTATION

Beijing ZIRAN BIANZHENGFA TONGXUN [JOURNAL OF DIALECTICS OF NATURE] in Chinese
No 3, 10 Jun 85 pp 31-40, 11

[Article by Shen Zhang [3947 3361]: "The Proper Position and Proportion of
Transportation in Development of the National Economy"]

[Text]

I

(1) Scientific plan regulation is a major problem in economic reform.

The economic reform that is now underway requires respect for the laws of value, making use of the role of market regulation, simplification of administration and delegation of authority, enlivening of business enterprises, and development of commodity production. These are but one aspect of reform, namely the need to strive to enliven the microeconomy. Another aspect is the need to strengthen management of the macroeconomy, which means planned development of commodity production rather than blind development of commodity production, and which also means the co-existence of plan regulation and market regulation rather than solely market regulation.

Plan regulation is an inevitable outgrowth of a socialist publicly owned economy, and it is an objective requirement for the proportional development of all sectors of the national economy. The existence of a proportional relationship among all sectors of the national economy and formation of a certain economic structure is an objective reality. In a capitalist society, formation of a certain economic structure relies primarily on market regulation. In some socialist countries, reliance is primarily on plan regulation. Both types of regulation have their merits and demerits. The economic reform through which we are now going is a change from the former sole plan regulation in which centralized state power predominated to the co-existence of plan regulation and market regulation, with the elimination of some of the drawbacks of the sole use of plans to regulation production and the assimilation of some of the advantages that market regulation holds. As economic reform progresses, the superiority of plan regulation per se will be able to play a fuller role.

Though China formerly used plan regulation, there was a proportional imbalance among some sectors. The current transportation shortage and lack of energy are

the most conspicuous examples of proportional imbalances. Why have these phenomena appeared? The main reason is that the former plan regulation was not done entirely in accordance with objective requirements; instead, under many circumstances, it was done on the basis of experience or even on the basis of people's subjective desires in contravention of objective laws. "Take steel as the key link" was a classic example. Scientific plan regulation requires, first of all, a correct proportional relationship among all sectors of the national economy. The summarization and discovery of proportional relationships that can serve as patterns is not easy to do, because some proportional relationships may change with time, change with the extent of scientific and technical progress, change with the stage of development of economic sectors, or change with the state of development of national resources and the economy, plus statistical methods differ, and statistical data have limitations, etc. Now, as economic reform moves along, the demands placed on planning work become higher and higher. With the development of economic theories and the constant improvement of statistical data, scientific plan readjustment has become an important problem for study. Solution to this problem will improve results in managing the macroeconomy and help ensure the smooth carrying on of economic reforms.

(2) Priority development of transportation is the foremost task in national plan regulation

Statistics for the past several years show that when added together, railroad transportation and highway transportation have accounted for more than 90 percent of total passenger volume and of passenger transport turnover in China. Railroad transportation plus highway transportation has accounted for more than 70 percent of freight volume and of freight transport turnover in China. Thus, the problem of transportation in China at the present stage is a problem of railroad transport and highway transport. Transportation includes both transport routes and transport vehicles. The writer believes that the problem of railroad and highway transport vehicles is fairly readily soluble; consequently, emphasis in this article is on discussion of railroad and highway problems themselves.

Transport vehicles may be characterized in four ways. First, there is a fixed proportional relationship between transportation and the entire national economy. This is the core of this article's exposition, which will be discussed in detail subsequently. Second, transportation serves the whole society. As a result of the management system and price policies in China, cash earnings of the transportation sector may be low. For example, the building of highways requires spending vast sums of money, yet those who use the highways may not have to pay. Thus, for some time in the past, China's planning placed highways in the social services category with culture, education and health rather than in the category of key construction projects. In fact, however, social benefits from transportation are very high. Highways are major lifelines in the national economies of all countries. For example, in 1981 the United States' expenditures on transportation amounted to 21 percent of its GNP, and taxes collected on the highway transportation industry amounted to 13.5 percent of total national tax collections. The United Kingdom invested 2.7 billion pounds on the construction of expressways, and benefits reached between 5 and 6 billion pounds. Third, investment is large,

the cycle is long, and wide areas are affected in the capital construction of transportation. It takes approximately 2 to 5 million yuan to build 1 kilometer of railways today, and to build 1 kilometer of expressway requires approximately 5 to 10 million yuan. The cycle for the building of a railroad or a highway is frequently 3 years, 5 years, or even longer. The route to be followed by a railroad or a highway not only has a bearing on the land to be taken over for use, but also has a bearing on development plans for towns and villages along the way, and has a bearing on the pattern of industry. This requires putting oneself in the country's shoes, considering the overall situation and doing unified planning. Even in capitalist countries, though the government adopts a policy of non-interference toward the development of most industries, depending instead on market regulation; nevertheless, in the development of the transportation industry, the state also invests heavily and uses a multiplicity of actions to provide encouragement and support. Many aspects are planned and managed by the state. For example, the United States ruled that for every mile of railroad built, 10 miles of land on each side of the line would be given to the railroad company, plus a subsidy amounting to between \$16,000 and \$48,000. In 1830, the United States built the first commercial railroad, and by 1860, it had 30,000 miles of railroads (approximately 49,000 kilometers, an amount equivalent 100 years ago to China's present railroad distance). By 1913, the distance had grown to 400,000 miles. To build expressways, the United States Congress passed the "federal highway financial assistance plan" that gave expression to a reciprocal relationship between the federal and state governments, the federal government providing financial assistance and state governments providing administration. Japan, the United Kingdom and France likewise paid extremely close attention to the development of transportation providing financial support and planning guidance. Fourth, capital construction of transportation must be done from within a country; railroads and highways cannot be imported from abroad. This is an extraordinarily important difference from other economic sectors. One major aspect of economic reform is opening to the outside world. If it is uneconomical to make certain products inside China or if China lacks them, adjustments may be made through reliance on imports. It is even possible to consider importing energy that is in short supply. Quite a few countries in the world rely on imports for their energy. But every country must develop its own communications and transportation industries.

The foregoing four characteristics show that in China it is not possible to rely primarily on market regulation in transportation matters, nor can transportation be undertaken by collectives or individuals. It must be managed primarily by state and government (including both the central government and local governments) plan regulation. Since it cannot be imported and since the amount of investment required is large and the capital construction cycle is long, it must be given first place in plan regulation; otherwise the overall situation will be adversely affected, making compensation and remedies difficult.

(3) Priority development of transportation is not only necessary for the development of production, but also necessary for raising standards of living. As the national economy develops, the standards of living will also rise gradually. People will no longer be content with having enough to wear and enough to eat, but will have greater and higher expectations. Their lives

will become more diversified, richer and more colorful. It can be expected that in the near future China, like other developed countries in the world, will institute a 5 day work system, and quite a few staff members and workers will have annual vacations. As people's spare time increases, travel elsewhere will become an extraordinarily important integral part of their lives. People in China and abroad regard travel as one of the finest ways of resting, and they expect that life will be happy and relaxed on their travels. However, the state of today's transportation facilities happens to be just the reverse of people's expectations. Nowadays, it is difficult to buy tickets, difficult to find a seat on trains, difficult to obtain passage on boats, and difficult to travel by air. Not only is it difficult for people inside China to travel, but difficulties in reserving tickets also exist for travel by foreign guests despite the various kinds of priority treatment they receive. Data from a sampling survey of urban staff member and worker households conducted in 1982 show that 90 percent of expenditures by staff members and workers in any given month are for the purchase of goods, approximately 60 percent of these purchases being food, while only approximately 2 percent goes for culture and entertainment. One cannot simply look at the gross output value of industry and agriculture as an indicator of modernization; one must also look at the standards of living. One criterion of the standards of living is the internationally used Engel [phonetic] coefficient (food, beverages and tobacco as a percentage of individual consumption expenditures). According to the aforementioned 1982 statistics, the Engel coefficient for China was approximately 60. In 1971, the Engel coefficient for the United States was 18. Between 1960 and 1970, the Engel coefficient for Japan fell from 40.6 to 34.2. During the same period, the number of people per 100,000 taking trips lasting 1 day or more increased 2.2 fold, and the number of people traveling outside the country increased 7.1 fold. One can imagine that when China's Engel coefficient declines and the number of travelers rises, the volume of passenger transportation will increase many times over. Unless we give further priority to the development of transportation now, it will be impossible to satisfy requirements for raising standards of living.

II

(1) Proportional development of transportation and the national economy is an objective law.

First of all, let us take a look at the aforementioned statistical data.

Table 1. Gross Domestic Product and Freight Transport Turnover [1]

	U.S.A.	Japan	West Germany	France	United Kingdom	Italy
Gross Domestic Product (\$1 billion)	2,112	1,000	761.9	471.6	404	260.1
Freight Transport Turnover (1 billion ton/kms.)	3,972	444.3	261.9	202.6	134.5	116.1
Gross Domestic Product/ Freight Transport Turnover	0.53	2.25	2.91	2.33	3.00	2.24

Table 2. USSR National Income and Freight Transport Turnover Growth Index [2]

	1940	1950	1960	1965	1970	1974	1975
National Income	100	164	435	597	597	1,093	1,142
Freight Transport Turnover	100	144	387	559	774	998	1,051
Income/Freight Trans- port Turnover	1	1.14	1.12	1.07	1.12	1.095	1.09

Table 3. Transportation, Posts and Telecommunications as a Percentage of Gross Domestic Product for Major Developed Countries [3]

	U.S.A.	Japan	West Germany	France	United Kingdom	Italy	Canada
1950	7	7	7	6	8	6	8
1960	7	9	6	5	8	6	8
1970	6	7	6	5	7	6	7
1978	7	7	6	5	7	6	7
1979		7	6	6		6	7

Table 4. Chinese Transportation Industry as Percentage of National Income [4]

Year	1952	1957	1962	1965	1970	1975	1978	1980
Percent	4.3	4.3	4.1	4.2	3.8	3.8	3.9	3.2

Table 1 shows the ratio of gross domestic product and the freight transport turnover in Japan, the Federal Republic of Germany, France, the United Kingdom and Italy to be basically fixed values between 2 and 3 percent. In other words, for any given country's gross domestic output there is a certain of freight transport turnover with a direct ratio between the two. The ratio for the United States is different than for these countries, because the area of the United States ranges from more than 10 times to more than 30 times that of these countries. This is to say that there is a qualitative difference in the degree to which production is concentrated. In the production of any given product in the United States, the required transportation distances are great, so naturally the gross domestic product per given freight transport turnover is much less.

Table 2 shows that in the USSR national income and the freight transportation cycle have substantially increased synchronously.

The freight transport turnover and transportation industry income are basically commensurate. Consequently, it may be deduced that transportation industry income and national income are commensurate. Tables 3 and 4 show this to be genuinely the case.

It should be pointed out here that statistical data from inside and outside China frequently treat transportation and posts and telecommunications as a single industrial sector in making calculations. In China, the post and telecommunications industry accounts for only approximately 10 percent of the income from and capital investment in the transportation industry. Inasmuch as posts and telecommunications and transportation serve all society and are similar in nature, for purposes of simplification, when we have applied data and made calculations, we have not separated out the posts and telecommunications industry, but have simply termed transportation plus posts and telecommunications as the transportation industry.

It should be noted here that methods of calculating the gross value of industrial and agricultural production and the gross value of social production in China cannot avoid duplications. China's methods of figuring national income resemble the methods for calculating gross domestic product in foreign countries. The point of difference is that China's national income does not calculate the output value of tertiary industries in a broad sense such as science, education, culture and health, while foreign gross domestic product includes these things. Despite these differences, the writer believes that China's national income is comparable, to a certain extent, to foreign gross domestic product, and that use of the concept of national income is more equitable than using the concept of the gross output value of industry and agriculture.

Tables 3 and 4 show that for any given country when the change in transportation earnings as a percentage of national income during a certain historical period is approximately within 1 percent, this may be pretty well regarded as a constant. The analysis and calculations presented below take this as their point of departure.

The percentage of national income attributable to the transportation industry is lower in China than in major developed countries, possibly for the reason that statistical methods differ or that prices differ. Since China's transportation industry is a service trade, fee standards are set artificially and possibly too low. Were fee standards to be readjusted in accordance with the laws of value, it is estimated that the percentage of national income attributable to the transportation industry in China would increase.

The main problem existing today in China's transportation industry is not the proportion of national income attributable to the transportation industry, but rather that the increase in operating distances within the transportation industry itself has not been in proportion to the increase in real business. Take the period from 1952 through 1981 as an example. During this period the railroad service mileage increased only 2.19 fold, but passenger traffic volume increased 5.8 fold, passenger traffic turnover increased 7.3 fold, freight volume increased 8.1 fold, and freight transport turnover increased 9.5 fold. During this same period, highway distance increased 7.1

fold, but the passenger volume increased 57 fold, passenger traffic turnover increased 36 fold, freight volume increased 5.4 fold, and freight transport turnover increased 18 fold. These figures show the speed of increase in railroad and highway distances to have been far lower than the speed of increase in transportation industry business as a direct result of which transportation capacity was seriously inadequate. Under these circumstances, maintenance of essentially the same rate of growth of transportation industry income and national income resulted from overloading in the transportation industry. Overloading in the transportation industry has now reached its extreme limits in many ways. For example, freight transport turnover in 1981 increased only 1 percent over the previous year, while the total railroad freight volume turnover even declined 0.1 percent. Traffic carrying capacity over more than 10 restricted sections of the nation's main railroad trunklines was able to satisfy only between 50 and 70 percent of needs.

Railway and highway distances have not grown in the desired proportions, a serious consequence of which has been that they are carrying the limits of their capacity and have become bottlenecks blocking development of the entire national economy. Their overloading has led to a serious decline in the efficiency of the entire national economy. Highways are few; quality is poor; vehicle operating speeds are low; gasoline consumption is high; and wear and tear is rapid. Inadequate railroad capacity has brought about a situation in which trucks are used to haul coal over vast distances; many products pile up and deteriorate for lack of transportation, and many industrial plants stop work for want of prompt delivery of raw materials to them.

(2) Mathematical Models for the Proportional Development of Transportation and the National Economy

(1) Basic formulas

First of all, let us divide the entire national economic system into two subsystems as follows: the transportation industry and other industries. In terms of China, other industries include light and heavy industry, agriculture, the construction industry, and commerce. In terms of foreign countries, it also includes tertiary industries in a broad sense such as science, education, culture, and health. In accordance with the pattern that transportation industry income as a percentage of national income (or gross domestic product) is a constant value, one gets the following:

$$y_{1n} = Ky_{2n} \quad (1)$$

$$y_{gn} = y_{1n} + y_{2n} = (K + 1)y_{2n} \quad (2)$$

y_{1n} -- income from other industries in n year

y_{2n} -- income from the transportation industry in n year

y_{gn} -- national income in a year

K -- constant

Inasmuch as the total value created by an industry is inseparable from its production methods or service methods, that means it is inseparable from its plant buildings and equipment, or means it is related to its fixed assets. Thus, one gets the following:

$$y_{1n} = \alpha_{1n} \omega_{1n} \quad (3)$$

$$y_{2n} = \alpha_{2n} \omega_{2n} \quad (4)$$

$$y_{gn} = \alpha_{gn} \omega_{gn} \quad (5)$$

ω_{1n} --n net value of fixed assets in other industries in n year
 ω_{2n} --n net value of fixed assets in the transportation industry in n year
 ω_{gn} --n net value of fixed assets in entire national economic system in n year
 α_n --coefficient is income realized per unit of fixed assets net value

Our goal is to compare the difference between proportional development and disproportional development during a period in the past, and to forecast development during a future period. In order to simplify calculations, we will use an annual average growth rate during a period of time instead of annual growth rate. In other words, we will hypothesize a growth at an identical rate for each year during a period of time. This yields the following:

$$y_{1n} = y_{10}(1 + e_1)^n \quad (6)$$

$$\omega_{1n} = \omega_{10}(1 + e_2)^n \quad (7)$$

$$y_{2n} = y_{20}(1 + e_3)^n \quad (8)$$

$$\omega_{2n} = \omega_{20}(1 + e_4)^n$$

y_{10} --income from other industries in any initial year
 y_{20} --income from the transportation industry in any initial year
 ω_{10} --net value of fixed assets in other industries in any initial year
 ω_{20} --net value of fixed assets in the transportation industry in any initial year
 e_1 --average annual rate of growth in n year of income in other industries
 e_2 --average annual rate of increase in net value of fixed assets in other industries
 e_3 --average annual rate of increase in transportation income
 e_4 --average annual rate of increase in net value of assets in transportation industry

The following may be derived from formulas (1), (2), (6), and (8):

$$\frac{y_{1n}}{y_{2n}} = \frac{y_{10}(1 + e_1)^n}{y_{20}(1 + e_3)^n} = \frac{y_{10}}{y_{20}} = K$$

$$\therefore e_1 = e_3$$

Similarly:

$$\frac{y_{gn}}{y_{2n}} = \frac{y_{g0}(1 + e_g)^n}{y_{20}(1 + e_3)^n} = \frac{y_{g0}}{y_{20}} = K + 1$$

$$\therefore e_g = e_3 = e_1$$

(10)

This means that the speed of growth of transportation industry income, of other industries' income, and of national income is the same, i.e., they increase synchronously.

The following may be derived from formulas (3), (4), (7), (9), and (10):

$$\alpha_{1n} = \alpha_{10} \left(\frac{1+e_1}{1+e_2} \right)^n \quad (11)$$

$$\alpha_{2n} = \alpha_{20} \left(\frac{1+e_3}{1+e_4} \right)^n = \alpha_{20} \left(\frac{1+e_1}{1+e_4} \right)^n \quad (12)$$

α_{10} , α_{20} --the value of y_{10}/ω_{10} and of y_{20}/ω_{20} in any initial year

Formula (11) shows that if $e_2 > e_1$, then α_{1n} will decline year by year. This is because of a lack of proportional development. Formula (12) shows that if $e_1 > e_4$, then the utilization rate for transportation industry fixed assets will rise, and this is tantamount to overloading.

(2) Actual situation of development from 1957 through 1980

Let us take 1957 as the initial year and assume this year to be a standard one. By a standard one is meant that transportation capacity was normal with neither a surplus nor overloading, and no lowering of the efficiency of other industries. The year 1952 frequently serves as the base year when comparing growth indices using statistical data in China. I believe that in 1952 the gross output value of China's agriculture was vastly greater than the gross output value of its industry. China was still an agricultural society. By 1957, the First 5-Year Plan had been completed and the output value of industry subsequently increased rapidly so that by 1958 the gross output value of industry and agriculture was substantially the same. For this reason, 1957 has been selected as the initial point and this year is assumed to have had standard conditions. Since statistical data are lacking, the original value of fixed assets in this year has been used to approximate the net value of fixed assets. In the following formulas, value shown at the starting point is equal to a constant coefficient, and initial value has no adverse effect on the nature of the formulas themselves. It is assumed that $\omega_{10}^1 = \omega_{10}$, $\omega_{20}^1 = \omega_{20}$. ω_{10}^1 , ω_{20}^1 each stand for the original value of fixed assets at the starting point.

When 1957 is the Initial Point (Units: 100 million yuan) [5]

y_{10}	y_{20}	y_{g0}	ω_{10}	ω_{20}	ω_{g0}	α_{10}	α_{20}
869	39	908	340	183	523	2.55	0.21

Using 1980 as the end of the first stage, $n = 23$. This is because formally issued statistical figures mostly halt at around 1980. The 1980 national income statistical value $y_5 = 3,688$. y_5 may be used to figure the individual values of y_{gross} .

Using the formula $y = y_0(1 + e)^{23}$ produces $e_g = e_1 = 0.063$.

Inasmuch as no fixed asset net value figures have been provided in published statistical data, the original value of fixed assets and depreciation rates have been used to extrapolate the annual average rate of increase in net value of fixed assets and their value in 1980.

By using ω' , e' to stand for the value used for the original value of fixed assets and the annual average rate of increase, respectively, and by using Δe to stand for the depreciation rate, the following results:

$$\omega'_1 = \omega'_{10}(1 + e'_1)^n$$

$$e'_2 = \Delta e_2 + e_2$$

$$\omega'_2 = \omega'_{20}(1 + e'_2)^n$$

$$e'_4 = \Delta e_4 + e_4$$

$$\omega'_{10} = \omega_{10}$$

$$\omega'_{20} = \omega_{20}$$

In 1980, $\omega'_1 = 4,368$, $\omega'_2 = 943$

Thus, it can be determined that $e'_2 = 0.113$, $e'_4 = 0.074$.

This produces $\Delta e_2 = 0.02$; thus $e_2 = 0.093$.

I believe that the net value of fixed assets should represent the industry's production capacity and service capacity. Since the capacity of the transportation industry is determined primarily by roads, increase in the net value of fixed assets should increase as road distances increase. As a result of the fairly substantial increase in transportation vehicles from 1957 through 1980, the original value of fixed assets in the transportation industry increased approximately 5.15 fold while railroad operating distances increased 1.87 fold and highway distances increased 3.4 fold. If the multiple increase in net value of fixed assets corresponds to the average increase multiples for railroads and highways, the multiple is 2.635 times. If the corresponding annual average rate of increase is 0.043, when fixed asset depreciation is 0.03 and the rate of increase in net value is extremely close to 0.044, the depreciation rate will be $\Delta e_4 = 0.03$, $e_4 = 0.044$.

By substituting e_1 and e_2 in the proper formula, the various values for 1980 may be calculated as follows:

y_1	e_1	y_2	y_g	ω_1	e_2	ω_2	e_4	α_1	α_2	ω_1/ω_{10}	ω_2/ω_{20}	α_1/α_{10}	α_2/α_{20}
3542	0.063	159	3701	2629	0.093	493	0.044	1.34	0.32	7.73	2.69	0.53	1.5

y_2 and y_g are greater than actual statistical value. This is because y_2 is figured in terms of transportation income being a 4.3 percent constant proportion of national income. But, in 1980, it was only 3.2 percent of national

income. The writer believes the actual statistical value of y_2 in 1980 to have been abnormal. Related to this is that there is a 0.3 percent error as well between the statistical value and the calculated value of national income. In our subsequent calculations, we will use the calculated value in place of the actual situation in 1980.

The foregoing figures show that from 1957 through 1980, the multiple for increase in net value of fixed assets in other industries was 7.73, while the multiple for increase in net value of fixed assets in the transportation industry was 2.69. There was a serious proportional imbalance between the two resulting in a decline in α_1 , and $\alpha_{10} = 2.55$ while $\alpha_1 = 1.34$, α_1 amounting to only approximately 53 percent of α_{10} .

(3) Comparison of actual situation with the norm for 1957 through 1980

Let us assume that beginning in 1957, the national economy developed entirely at the norm.

The mathematical formula for describing this norm is as follows:

$$\frac{\omega_{1n}}{\omega_{n2}} = \frac{\omega_{10}}{\omega_{20}} \quad (13)$$

$$\alpha_{1n} = \alpha_{10} \quad (14)$$

$$\alpha_{2n} = \alpha_{20} \quad (15)$$

The significance of this is that as the net value of fixed assets in other industries increases, the net value of fixed assets in the transportation industry also increases correspondingly. Moreover, the income realized from the net value per unit of fixed assets remains constant. This permits derivation of the norm below:

$$e_{1t} = e_{2t} = e_{4t}$$

If e_{1t} is taken to be 0.063, then by the year 1980 the value of y_{1t} and y_{2t} will still be the same as the actual situation. The point of difference will be that ω_{1t} and ω_{2t} will be vastly different than the real situation.

$$\omega_{1t} = \omega_{10}(1 + 0.063)^{23} = 1386$$

$$\omega'_{1t} = \omega_{10}(1 + 0.063 + 0.02)^{23} = 2128$$

$$\omega_{2t} = \omega_{20}(1 + 0.063)^{23} = 746$$

$$\omega'_{2t} = \omega_{20}(1 + 0.063 + 0.03)^{23} = 1415$$

Taking ω'_{1t} and ω'_{2t} as being the original value of fixed assets in a norm situation, within 23 years, gross investment in fixed assets will have amounted to $\Delta\omega$.

The actual gross investment will have been:

$$\Delta\omega_t = (\omega_{1t}' - \omega_{10}) + (\omega_{2t}' - \omega_{20}) = 3,020$$

$$\Delta\omega_p = (\omega_1' - \omega_{10}) + (\omega_2' - \omega_{20}) = 4,788$$

The difference between the two is:

$$\Delta\omega_p - \Delta\omega_t = 4,788 - 3,020 = 1,768$$

This shows that though the average rate of increase of national income in the real situation and the norm situation will be the same, and will be the same as national income in 1980, the price paid to obtain this same result will not have been the same. Because the norm situation will be in keeping with the objective laws of proportional development, the transportation industry will not impede development of other industries. The benefits from maintaining constant the utilization rate on the net value of fixed assets in other industries will be far greater than the increased benefits derived from a rise in the utilization rate on the net value of fixed assets in the transportation industry. Thus, gross investment in fixed assets may be reduced by as much as 176.8 billion yuan.

(4) Situation during the recovery period

We have termed the period of m years of change from the actual situation to the norm situation as the recovery period. This means that by accelerating the speed of increase in fixed assets in the transportation industry, in the m year the ratio of fixed assets in the transportation industry and in other industries will recover to the norm value. The mathematical formula for the recovery period is as follows:

$$\frac{\omega_{1m}}{\omega_{2m}} = \frac{\omega_{10}}{\omega_{20}} \quad (16)$$

$$\alpha_{1m} = \alpha_{10} \quad (17)$$

$$\alpha_{2m} = \alpha_{20} \quad (18)$$

By using the following formula and formula (17)

$$\begin{aligned} y_{1m} &= y_{10}(1+e_1)^n(1+e_1^0)^m \\ &= \alpha_{10}\omega_{10}(1+e_1)^n(1+e_1^0)^m \\ y_{1m} &= \alpha_{1m}\omega_{1m} \\ &= \alpha_{1m}\omega_{10}(1+e_2)^n(1+e_2^0)^m \end{aligned}$$

e_1^0 -- average annual rate of increase in income in other industries during the recovery period

e_2^0 -- average annual rate of increase in net value of fixed assets in other industries during the recovery period,

one can derive

$$(1+e_1^0)^m = \left(\frac{1+e_2}{1+e_1}\right)^n (1+e_2^0)^m$$

Similarly

$$(1+e_1^0)^m = \left(\frac{1+e_1}{1+e_4}\right)^n (1+e_1^0)^m$$

$$= \left(\frac{1+e_2}{1+e_4}\right)^n (1+e_2^0)^m$$

When e_1 , e_2 , e_4 , and n , m values are defined, assignment of an e_2^0 and use of a corresponding e_4^0 and an e_{10}^0

$$y_{1m} = y_{10}(1+e_2)^n(1+e_2^0)^m$$

produces

$$R = (1+e_2)^n(1+e_2^0)^m$$

So,

$$y_{1m} = y_{10}R \quad (19)$$

$$y_{2m} = y_{20}(1+e_2)^n(1+e_2^0)^m$$

$$= y_{20}R \quad (20)$$

$$\omega_{1m} = \omega_{10}(1+e_2)^n(1+e_2^0)^m$$

$$= \omega_{10}R \quad (21)$$

$$\omega_{2m} = \omega_{20}(1+e_1)^n(1+e_1^0)^m$$

$$= \omega_{20}(1+e_2)^n(1+e_2^0)^m$$

$$= \omega_{20}R \quad (22)$$

$$y_{gm} = y_{1m} + y_{2m}$$

$$= (y_{10} + y_{20})R \quad (23)$$

$$\omega_{gm} = \omega_{1m} + \omega_{2m}$$

$$= (\omega_{10} + \omega_{20})R \quad (24)$$

$$\Delta\omega = \omega_{gm} - \omega_{ga} \quad (25)$$

The foregoing formula shows that during the recovery period e_1 and e_4 have no bearing; only the e_2 of the recovery period is pertinent. Since how calculation of the future rate of depreciation is a matter awaiting discussion, beginning here we have used the difference between gross and net value of fixed assets during a certain period of time to represent approximately the gross investment in fixed assets.

A comparison follows:

Comparison is made between the period from 1980 through 1985, when during the real situation in continued development $e_1 = 0.063$, $e_2 = 0.093$, and $e_4 = 0.044$, and the recovery period beginning in 1980 and continuing to 1985 when the norm situation was reached. During the recovery period $e_2^0 = 0.04$ is hypothesized.

Values derived through calculations are as shown in the following table:

Table 5. (In which e is the average value for 1980 through 1985)

	y_1	y_2	y_g	ω_1	ω_2	ω_g	$\Delta\omega$	e_1	e_2	e_4
1980 actual	3,542	159	3,701	2,629	493	3,121				
1985 actual	4,807	215	5,023	4,100	611	4,711	1,590	0.063	0.093	0.044
1985 situation following recovery period	8,174	367	8,541	3,198	1,721	4,919	1,798	0.18	0.04	0.28

Table 5 shows that in 1985 gross and net value of fixed assets were similar in actual circumstances and in circumstances of the recovery period. This means that the total amount of investment required was also similar. However, under recovery period circumstances, transportation industry fixed assets grew faster than under actual circumstances. This resulted in a gradual moderation of the shortage of transportation capacity until the norm was reached in 1985. National income grew at an average 18 percent each year during the recovery period, and national income under recovery period circumstances in 1985 was 350 billion yuan more than under actual circumstances.

(5) Predicted post-1985 circumstances

The earliest time when we will actually be able to take recovery actions is 1986, so actual circumstances in 1985 will be used for figuring the first stage of the terminal point, $n = 28$. Emphasis is on the study of circumstances at the beginning of entry into the recovery period in 1986.

Results from use of formulas (19) through (25) are as shown in Table 6.

Table 6. $n=28$

	y_1	y_2	y_g	ω_1	ω_2	ω_g	$\Delta\omega$	e_1^0	e_2^0
$m = 5, e_2^0 = 0$	10480	470	10950	4100	2207	6307	1596	0.16	0.29
$m = 5, e_2^0 = 0.04$	12751	572	13323	4988	2685	7674	2963	0.21	0.34
$m = 7, e_2^0 = 0$	10480	470	10950	4100	2207	6307	1596	0.11	0.20
$m = 7, e_2^0 = 0.04$	13791	618	14410	5396	2904	8300	3589	0.16	0.24
$m = 10, e_2^0 = 0$	10480	470	10950	4100	2207	6307	1596	0.08	0.13
$m = 10, e_2^0 = 0.04$	15513	696	16210	6069	3266	9336	4625	0.12	0.18

Table 6 shows that when the value of m has been determined and when naturally $e_2^0 = 0$, this means that when the net value of fixed assets is maintained with no increase in other industries, the total investment value required in the recovery period is least. However, when related to actual circumstances in China, since problems in proportional imbalance exist within other industries,

actually, it is not possible to invest only in the transportation industry. Investment has to be made in other industries as well.

The proportional imbalance between the transportation industry and other industries in China has occurred over a period of 30 years. If the recovery period is too short, for example, if $m = 5$, when the net rate of increase in value of fixed assets in other industries is 0.04, the annual rate of increase in net value of fixed assets in the transportation industry will reach 0.34, i.e., 34 percent. Such a change is too radical. Therefore, I believe that on the basis of the values in the table, the situation in which $m = 10$ and $e_2^0 = 0.04$ is feasible. During this period, national income has grown at 12 percent per year, and the rate of increase in net value of fixed assets in the transportation industry has been 18 percent.

The situation in 2000 is forecast using this as a basis.

After m years, with development in accordance with the norm throughout, the formula is as follows:

$$y_1 = y_{10}(1+e_2)^m(1+e_2^0)^n(1+e)^k \quad (26)$$

$$= y_{10}R(1+e)^k \quad (27)$$

$$y_2 = y_{20}R(1+e)^k \quad (28)$$

$$y_g = y_1 + y_2 = (y_{10} + y_{20})R(1+e)^k \quad (29)$$

$$\omega_1 = \omega_{10}R(1+e)^k \quad (30)$$

$$\omega_2 = \omega_{20}R(1+e)^k \quad (31)$$

$$\omega_g = (\omega_{10} + \omega_{20})R(1+e)^k \quad (32)$$

$$\Delta\omega = \omega_{gk} - \omega_{gn} \quad (32)$$

In the formula e is the rate of increase after m years. This is because under normal conditions $e_1 = e_2 = e_4 = e$.

Table 7. Result of Calculations of Circumstances in 2000
 $n = 28, m = 10, K = 5, e_2^0 = 0.04$

	y_1	y_2	y_g	ω_1	ω_2	ω_g	$\Delta\omega$
$e = 0.04$	18874	847	19721	7384	3974	11359	6648
$e = 0.06$	20760	931	21692	8122	4371	12494	7783

(3) Conclusion

(1) Output value of the transportation industry as a percentage of national income or of gross domestic product is a constant. In order to maintain this percentage unchanged, it is necessary that there be no change in the ratio between the net value of fixed assets in the transportation industry and the net value of fixed assets in other industries.

(2) The normal state is the state in which growth of the net value of fixed assets in the transportation industry and growth of net value of fixed assets in other industries form a direct ratio. Under these circumstances, no change in output value deriving from the net value per unit of fixed assets, and the average annual rate of growth of national income equaling the average annual rate of growth of the value of fixed assets in other industries also equals the average annual rate of growth of the net value of fixed assets in the transportation industry.

(3) From 1957 through 1980, development of China's national economy was not in direct proportion to development of its transportation capacity. Increase in net value of fixed assets in the transportation industry was only approximately 2.7 fold, while the increase in net value of fixed assets in other industries was approximately 7.7 fold. As a result, the transportation industry became a bottleneck blocking development of the entire national economy, the output value realized from net value per unit of fixed assets in other industries in 1980 being only 53 percent of the norm. This seriously reduced the efficiency (funds utilization rate) of the entire national economy. If compared with the norm, 176.8 billion more was invested in fixed assets to attain the same national income.

(4) The recovery period was one in which there was a readjustment of the proportional increase in fixed assets in the transportation industry and other industries that was tantamount to widening the bottleneck or to evening out all the staves that form the walls of a wooden bucket. In the recovery period process, it was possible gradually to improve the situation of decline in the utilization rate of the net value of fixed assets in other industries. At the conclusion of the recovery period, the norm was reached. Results of calculations show that during the period 1980 through 1985, in a situation in which gross investment in fixed assets was substantially similar, the average annual rate of increase in national income during the recovery period reached 18 percent. In 1985, national income was approximately 350 billion yuan more than in comparable actual circumstances. Since China's present transportation capacity lags seriously behind actual needs, it was inadvisable to have too short a recovery period. If 10 years were taken beginning from 1986 to revive transportation to the norm, during which period the annual average rate of increase in the national income reached 12 percent, by 1995, national income would have quadrupled over 1980 reaching 160 billion yuan.

(5) In the process of discussing the proportional relationship between development of transportation and the national economy in this article, the internal structure hypothesized for other industries has been rational. In actual fact, however, the internal structure of other enterprises is not rational. Therefore, during the recovery period, e_2^0 cannot equal zero. However, as far as investment in other industries is concerned, it is also necessary to concentrate energy on readjustment on making the internal structure rational rather than use an average.

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TRANSPORTATION

NEW PASSENGER AIRLINE TO BEGIN OPERATIONS 1 JANUARY

HK220510 Beijing CHINA DAILY in English 22 Dec 86 p 1

[By "Our" staff reporter Liu Dizhong: "New Airline To Introduce Competition in Service"]

[Text] A new airline is being set up not only to provide additional service but to introduce competition into China's civil aviation.

The China United Airlines (CUA), which is officially to begin operation on 1 January, is based mainly on the former United China Airlines, which was established in 1984 with the help of the air force of the People's Liberation Army.

The new airline is part of the air force's effort to expand civilian air service with as much equipment and technology as possible, as the central military commission has urged. It is also a direct result of the State Council decision to encourage establishment of a number of competitive airlines. In fact, several local airlines have begun service since 1984 to meet the growing demands for air transport, which has been strained by the rapid development of the economy and of tourism.

CUA and other local airlines will boost the prosperity of China's civil aviation by breaking the monopoly of the Civil Aviation Administration of China (CAAC) within the country, a senior official of CUA told CHINA DAILY yesterday.

CUA now has 11 routes linking Beijing with the tourist centers of Wuxi, Suzhou, Hangzhou, Fuzhou, Lushan Mountain, and Chengdu and with the cities of Weifang, Jinzhou, Xuzhou and Shenzhen, which CAAC had not served.

The official said CUA has plans to increase to more than 20 routes in the near future, connecting Beijing with most major cities. It also intends to open international routes, he added.

Most CUA planes are provided by the air force. They include British-made Tridents and Viscounts and Soviet-built Ilyushin 18's, AN-24's, AN-26's and 154-seat Tupolevs, which were newly imported.

Most of these planes carry the insignia of the new airline.

With the support of the State and cooperation of local governments, the official said CUA will buy or rent from abroad new models to replace existing planes.

Some rapidly-developing provinces and regions like Jiangsu, Jiangxi, Shandong, Fujian, Ningxia and Guangxi have shown great interests in improving their air service, he said.

CUA pilots and flight crews have received strict training. Most previously served on special planes of the party and state leaders, the official said.

A special commission, however, will be set up under the new airline corporation to ensure safety.

CUA has established 17 local branch offices. By taking advantage of the many military airports and availability of planes, the new corporation will increase its routes in busy tourists seasons and festival period. The official said temporary routes between Shenzhen and Fuzhou, Nanchang and Guilin and between Hangzhou and Guangzhou will be opened during this spring festival for visitors from Hong Kong and Macao.

The official said the air force has already been of considerable help in easing the strain on domestic air transport. In the first 10 months of this year, military craft carried more than 250,000 passengers. Next year, he said, the new airline hopes to increase the passenger total to more than 350,000.

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TRANSPORTATION

SHANGHAI AIRLINES' FUTURE PLANS DETAILED

OW221302 Beijing XINHUA in English 0911 GMT 22 Dec 86

[Text] Shanghai, 22 December (XINHUA)--Shanghai Airlines, the first airline company run completely by a municipality in China, will next week launch regular air service to Beijing, China's capital, and Guangzhou, south China.

The local airline has operated irregular flights to the two cities since its founding on 30 December 1985.

He Pengnian, president and general manager of the airlines, told XINHUA here today that "this will indicate that our company has entered youth from its childhood and prospects are bright for the future." But he admitted that his company still faced some problems and "further efforts should be made to break many ties and difficulties." He said his airlines plans to increase flights on the two air routes in March next year. There will be four flights a week then.

At the same time, he said, the airline will open new air routes to Chengdu in southwest China, Urumqi in the northwest and Harbin in the northeast.

To keep pace with tourism, it plans to open air service to Guilin and Xian, forming a tourist air route linking Shanghai, Guilin, Xian, Beijing, and Shanghai.

He Pengnian, a 62-year-old economist with the local government, detailed his company's future plans. "We will make a big effort to open overseas air service to Hong Kong and Japan, carrying cargo first and then passengers," he said. "On this foundation, we will open air routes to Southeast Asian countries including the Philippines, and European countries."

The president said the company intends to establish relations with its counterpart in Taiwan and would like to contribute to an air service between the Chinese mainland and island.

Since the Civil Aviation Administration of China (CAAC) announced decentralization to allow central and local airlines companies early last year, some local airlines have been established. They include, Xiamen Airlines,

Xinjiang Airlines, Wuhan Airlines, Shenzhen Helicopter Company and China Air Transport Company.

Unlike the other companies, Shanghai Airlines bought its own five Boeing 707 aircraft--four passenger jets and one cargo plane. It has to pay CAAC for its use of airports while the Xiamen Airlines, which is run jointly by local government and CAAC, is exempt from those expenses.

Xiamen and Xinjiang Airlines are also allowed to sell tickets at CAAC's ticket offices while Shanghai Airlines is not.

Shanghai Airlines employs more than 300 people, including 23 pilots, 32 stewardess and 70 technicians. The president said, "we have now attached great importance to two things--flight safety and service quality." Its pilots have been trained in Beijing and stewardess have been taught by Singapore Airlines, which also helps train Shanghai technicians.

He predicted that Shanghai Airlines would carry more than 20,000 passengers by the end of this year. But he said the most important problem facing the airlines was the high cost of air transport. The price of oil is as much as that of the international market while the air ticket price is much lower than the international standard.

"We made a projection for the company's total income and expenditure," he said. "We can balance our books on the condition that we fly at 96.1 percent capacity throughout the year."

"It is impossible to maintain that flight load so we will suffer losses," he said, adding that the company is looking for financial support from the government. "It won't do if the state offers us no help."

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CSO: 4020/85

TRANSPORTATION

FOUR NEW RAILWAY LINES PLANNED FOR 1987

OW070422 Beijing XINHUA in English 0218 GMT 7 Jan 87

[Text] Beijing, 7 January (XINHUA)--This year China will add four new lines totalling 1,000 kilometers of railway to its existing system, the Ministry of Railways announced here today.

The new lines, with an estimated cost of 300 million yuan (81 million U.S. dollars), will link Shangqiu in Henan Province with Fuyang County in Anhui Province; Xuancheng County, Anhui Province, with Hangzhou in Zhejiang; Houma with Yueshan near Jiaozuo in Henan Province; and Baoji, Shaanxi Province, with Zhongwei County in the Ningxia Hui Autonomous region.

The Shangqiu-Fuyang and Xuancheng-Hangzhou lines are scheduled for completion by 1990.

The 260-kilometer Houma-Yueshan Railway is designed to share the shipment of coal from China's major coal producer of Shanxi and will be built with foreign investment.

The Baoji-Zhongwei Line, totalling 502 kilometers, is to be built to facilitate the opening of coalfields in Gansu Province and will be jointly funded by the Ministry of Railways and Shaanxi and Gansu provinces and the Ningxia Hui Autonomous region.

In addition, the railway station in Tianjin will be expanded and Shanghai will complete the rebuilding of its new railway station this year.

An official from the ministry said that the six new railway projects undertaken last year have all been put into service. They are Tongliao-Huolinhe Railway in northeastern China, Fuyang-Huainan Railway in Anhui Province, Ningbo-Beilun Line in Zhejiang and Xinxiang-Heze in Henan Province. They totalled 882 kilometers.

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CSO: 4020/85

TRANSPORTATION

MORE DIESEL, ELECTRIC LOCOMOTIVES PRODUCED

OW250718 Beijing XINHUA in English 0654 GMT 25 Dec 86

[Text] Beijing, 25 December (XINHUA)--China has produced more than 800 diesel and electric locomotives this year, according to a senior official from the Ministry of Railways.

Now diesel and electric locomotives make up half the country's total compared to one-third a year ago, Zhang Xintai, vice minister of railways told XINHUA.

As of September this year, trains pulled by diesel and electric locomotives have already fulfilled half of the country's annual change-over target. Zhang said, "this shows China is ending the days of using steam locomotives as its major railway power source."

The Chinese Ministry of Railways has signed contracts with the General Electric Company of the United States and the Societe Alsthom Company of France to transfer technology for the manufacture of leading components for diesel and electric engines.

"When put into operation, these machines will help upgrade China's locomotive manufacture to keep up with international standards," the vice-minister said.

Zhang Xintai said his ministry welcomes more technological cooperation with foreign firms.

China now has more than 30 locomotive and rolling stock plants. To increase its locomotive production capacity, the ministry has decided to expand two diesel locomotive factories in Dalian, northeast China's Liaoning Province and in Ziyang, Sichuan Province, and an electric locomotive plant in Zhuzhou, Hunan Province.

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CSO: 4020/85

TRANSPORTATION

RAILWAY ELECTRIFICATION MILEAGE INCREASED

OW271358 Beijing XINHUA in English 1256 GMT 27 Dec 86

[Text] Beijing, 27 December (XINHUA)--This year China has built more than 700 kilometers of electrified railway, with over one-third already operational, according to the Ministry of Railways today.

A ministry official said, "China plans an additional 670 kilometers of electrified railway next year and will import some electrically-powered locomotives to expand transportation capacity across the country."

He added, "eight electrified railways with a combined mileage of more than 4,000 kilometers are now under construction in north, southwest, central and east China." "This year China's electrification projects are the largest and most numerous over the past 37 years," he said, "and the total mileage of electric railways will double when the Seventh Five-Year Plan is complete."

Key projects now under construction include a 630-kilometer electrified railway between Datong, in Shanxi Province, and the port city of Qinhuangdao, a 680-kilometer line between Zhengzhou and Baoji and a 600-kilometer link between Guiyang and Kunming in southwest China.

The ministry official said, "operation of these railways will greatly enhance existing transportation capacity, especially in Shanxi Province, China's largest coal producer."

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CSO: 4020/85

TRANSPORTATION

CITY PUBLIC TRANSPORTATION SERVICES IMPROVED

OW290208 Beijing XINHUA in English 0148 GMT 29 Dec 86

[Text] Beijing, 29 December (XINHUA)--Complete urban traffic systems have been established in nearly 300 Chinese cities, according to the State Statistics Bureau here today.

During the early 1950's after the founding of the People's Republic, only 26 cities had public bus services, the bureau said.

Chinese urban traffic system is mainly composed of public buses and trolley buses, supplemented by taxis, subways, boat ferries and cableways.

The latest statistics show that these cities have nearly 50,000 public buses and the bus services employ a total of more than 500,000 people. Taxi services are available in 159 cities.

Beijing and Tianjin have built 47 kilometers of subway. China's biggest city, Shanghai, is also making preparations for building a subway. In the mountain city of Chongqing in Sichuan Province, a 740-meter-long double track cableway has thrown across the Jialing River. In addition, there are more than 500 ships carrying passengers in more than 20 cities along rivers and lakes.

Many cities have built overpasses and underpasses. Some have built underwater passages and road bridges and tunnel ways. The traffic control systems have also been updated.

During the Seventh Five-Year Plan period (1986-1990), according to the bureau, the cities will develop big horsepower buses. Electrified means of transport and other new traffic facilities will be installed in major cities. At the same time, great efforts will be made to expand taxi and boat ferry services to ease traffic jams.

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CSO: 4020/85

TRANSPORTATION

YINGKOU NEW COAL TERMINAL TO BE READY JULY 1987

HK220549 Hong Kong SOUTH CHINA MORNING POST in English 22 Dec 86 p 14

[By Gene Linn]

[Text] The Liaoning Light Industrial Centre of Yingkou appears to be out of luck. It declares that it is one of China's 15 most important coastal cities, but it was left out when the 14 others were opened up for trade and investment in 1984.

In 1985, China decided to concentrate development on four of these cities. Then the country's foreign exchange squeeze worsened.

But Yingkou continues to remain open to the outside world and to attract investment, proving there is life after foreign exchange restrictions for some of China's smaller cities.

It helps to have a special asset, and Yingkou has two ports--an old one and a new. The ports are needed to relieve congestion at northeast China's main harbour of Dalian, about 200 kilometers to the south.

"The new port is one of the 130 most important projects in China, so state investment will be more forthcoming," said Mr Gong Xianjun, vice-director of Yingkou's Economic Commission. The new port, which is 65 kilometers south of the old harbour, is due to have a coal-importing terminal ready in July with an annual capacity of five million tonnes.

Six general cargo berths are scheduled for completion in 1988, a spokesman at the port said, handling about two million tonnes a year. The harbour has already started a shipbreaking operation.

By the year 2000, the spokesman said, the new port would have an annual capacity of about 30 million tonnes. That compares with Dalian's 1984 tonnage of 40 million.

The old port is a more modest affair, but its history gives an indication of Yingkou's potential. It was the first port in the northeast and was a major shipping center before the war with Japan.

Yearly capacity is set to rise from 880,000 tonnes in 1985 to 2.5 million in 1990, finally surpassing the 2.46 million tonnes attained in 1933. Unlike the new port, the old harbour is not ice-free all year.

Both ports will serve Yingkou's 1,300 factories, which produced exports worth 258 million yuan (about HK\$542 million) in 1984. About 64 percent of these factories produce textiles or light industrial products. Such products (?accommodate) investment because they help raise living standards, offer a quick return on investment and provide export opportunities.

The state gave the Yingkou Washing Machine Factory three injections of US\$1 million (HK\$7.8 million), US\$6 million (HK\$46 million) and US\$10 million (HK\$78 million) in 1985.

The factory used the money to acquire designs, equipment and raw materials from National of Japan. National also stations six technicians at the factory and teaches management and production techniques to factory personnel visiting Japan.

Factory director Mr Zhou Shuangren would like to find out about American technology, too, but finds American companies less responsive than the Japanese. "Americans and Europeans have a good chance," Mr Zhou said. "But if they don't act, the Japanese will occupy the market."

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CSO: 4020/85

TRANSPORTATION

BRIEFS

JIANGSU-SHAANXI AIR LINK--Beijing, 22 November (XINHUA)--Regular flights have started between Changzhou in Jiangsu Province and Xian, one of China's biggest tourist attractions and capital of Shaanxi Province. Return trips are available between Xian and Changzhou via Beijing every Tuesday. [Text] [Beijing XINHUA in English 1526 GMT 22 Nov 86 OW] /12858

SHANXI-HEBEI RAIL TUNNEL--Beijing, 6 December (XINHUA)--Chinese workers and engineers have set a railway tunnelling record of 15.96 meters per day as they bore through the Jundu Mountain, according to sources from the Ministry of Railways. With a length of 8,460 meters, the Jundu Mountain Tunnel is the second longest in China. It is one of the key projects in building China's first modern railway linking Datong, a coal producing center in Shanxi Province to Qinghuangdao in Hebei Province. More than 3,000 workers are employed on the job about 50 kilometers away from Beijing since 1984. The project has been hampered by frequent landslides. Since 1984, 35 cave-ins have taken place. The largest contained 2,000 cubic meters of rock and soil. Half finished, construction of the tunnel is to be completed next year. [Text] [Beijing XINHUA in English 0848 GMT 6 Dec 86 OW] /12858

RAILWAY DEVELOPMENT IN EAST--Beijing, 16 December (XINHUA)--China will emphasize railway development in the eastern areas of the country over the next five years, according to today's PEOPLE'S DAILY. The Ministry of Railways will use one-fifth of its total construction budget for the Seventh Five-Year Plan (1986-1990) to expand railway facilities in the areas. The areas comprise Jiangsu, Zhejiang, Jiangxi, Anhui, and Shandong provinces. Although these provinces generate one-third of China's total industrial output, they have only ten percent of the country's railways. Their railways can handle only half of the goods which need to be handled, the paper said. Plans include adding tracks on the Shanghai-Hangzhou line, increasing the transport capacity of the Beijing-Shanghai line, and building new lines between Shangqiu and Fuyang in Anhui Province, and between Xuancheng in Anhui and Changxing in Zhejiang Province. [Text] [Beijing XINHUA in English 1055 GMT 16 Dec 86 OW] /12858

SECOND HONG KONG AIRLINE BEGINS FLIGHTS--Hong Kong, 17 December (XINHUA)--The first scheduled flight from Dragon Airlines Limited of Hong Kong left here Tuesday to Chiangmai, a tourist center in northern Thailand. The Dragon Company was inaugurated here 18 months ago and was granted a license to

operate scheduled services between Hong Kong and four Thai cities last May. Steve Miller, general manager of the company, said that his company has been flying charter services only until Tuesday's flight. "Turning all our present charter services into scheduled flight services is our company's target," he said, adding "Chiangmai-Hong Kong service is only the first step." Equipped with two Boeing 737-200, Dragon Air now has been flying 15 charter services a week between Hong Kong and six cities in the Chinese mainland. Its third Boeing 737 will be in the air next March. Hong Kong's first airline is Cathay Pacific, which has been granted most of the licenses for scheduled flights. [Text] [Beijing XINHUA in English 0031 GMT 18 Dec 86 OW] /12858

MORE DIESEL, ELECTRIC LOCOMOTIVES USED--Beijing, 23 December (XINHUA)--Diesel and electric locomotives have gradually replaced steam engines on China's 50,000 kilometers of railways, says the Ministry of Railways. At present, over half of the locomotives in service are either diesel or electric locomotives. "They draw over 50 percent of the total goods loaded by the railways," a ministry official said. A few years ago, most of the goods were drawn by steam locomotives. This year, China has bought more than 300 diesel or electric locomotives for its main rail lines, the official said. From January to November, China produced 425 diesel and electric locomotives, an increase of 16 and 22 percent respectively over last year, he said. Another 500 diesel and electric locomotives will be produced and another 600 kilometers of electric railways constructed next year, the official said. [Text] [Beijing XINHUA in English 0813 GMT 23 Dec 86 OW] /12858

NEW NATIONAL CIVIL AVIATION COMPANY--Beijing, 25 December (XINHUA)--China set up a second national aviation company today to compete with the Civil Aviation Administration of China (CAAC). The new national company, China Associated Aviation Company, will provide domestic services all over the country. It has already set up 17 offices in major cities and opened flights between them. Zhang Rui'ai, general manager of this Beijing-based company, said at the opening ceremony that the enterprise will provide safe and punctual service. [Text] [Beijing XINHUA in English 1612 GMT 25 Dec 86 OW] /12858

ROAD TRANSPORTATION FIGURES RELEASED--Beijing, 4 January (XINHUA)--China's highways moved 4.3 billion passengers and carried 670 million tons of goods last year, according to the Ministry of Communications. Both show a 3 percent increase over the previous year, statistics released by the ministry say. There are 2,600 inter-provincial bus routes, carrying an average of five million passengers daily. Last year, China put more than 7,000 new long-distance buses into operation. [Text] [Beijing XINHUA in English 0703 GMT 4 Jan 87 OW] /12858

CSO: 4020/85

MINERAL RESOURCES

GOLD DEPOSITS WORLD'S FIFTH LARGEST

OW050908 Beijing XINHUA in English 0847 GMT 5 Jan 87

[Text] Beijing, 5 January (XINHUA)--Chinese geologists have determined China has the world's fifth largest gold reserves, according to recent surveys.

Zhu Xun, Minister of Geology and Mineral Resources, told XINHUA, "though joint efforts in the past few years, geologists have discovered 4,000 new gold mines and small deposits across the country."

China's gold deposits rank fifth after those of South Africa, the Soviet Union, the United States, and Canada, a Chinese official said here today.

"Despite progress," the Minister said, "confirmed gold reserves are not sufficient and the Chinese Government will make more effort to locate enough gold resources to meet the demand for expanding gold production."

At present, China has established several gold production centers in eastern Shandong, western Henan and Heilongjiang provinces, which have sustained an annual growth of 10 percent in the past few years.

He reviewed, Chinese geologists have made progress in the following areas:

--Important breakthroughs have been made in finding new types of gold mines such as volcanic mines in Shandong and Guangdong provinces;

--Geologists have achieved marked results in introducing geochemical technology such as aeromagnetic, gravity and other methods of survey;

--New technology for testing trace gold, reported to be the most accurate in the world, has been developed to locate more gold deposits.

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MINERAL RESOURCES

BRIEFS

GOLD PRODUCTION INCREASES--Beijing, 4 January (XINHUA)--China achieved an increase of 10.6 percent in gold production in 1986, according to the Ministry of Metallurgical Industry here today. A ministry official said "it is not an easy job for the Chinese gold miners to sustain a 10 percent growth rate over a number of years." He said the Central Government would take effective measures and mobilize various quarters to expand gold production and try to bring it into a new stage. Rich gold resources have been discovered in different parts of the country and new deposits found in existing mines. Means of production have been revamped in most gold mines, he added. The official said the state has changed the policy of allowing only state-owned enterprises to mine gold and instead adopted preferential policies to encourage people and production units to mine more gold. Now various localities are enthusiastic about expanding gold production in their own places. [Text] [Beijing XINHUA in English 0909 GMT 4 Jan 87] /12913

CSO: 4020/87

PUBLICATIONS

BRIEFS

CHINESE ENCYCLOPEDIA VOLUMES--Jinan, 21 December (XINHUA)--Eighteen more volumes of the CHINESE ENCYCLOPEDIA will be off the press soon, Editor-in-Chief Mei Yi announced in this capital of Shandong Province today. These volumes cover Chinese literature, physics, philosophy, mechanical engineering, world geography, and religion. Texts of the volumes dealing with mathematics, language and writing, and architecture, gardens, and municipal planning have already been finalized and will be published before April next year. The Chinese encyclopedia will eventually have 75 volumes; so far, 16 volumes, including those on astronomy, environmental sciences, world literature, mining and metallurgy, jurisprudence, dynamics, education, minority nationalities and archeology, have already been published. [Text] [Beijing XINHUA in English 0651 GMT 21 Dec 86 OW] /12913

CSO: 4020/87

SMALL BUSINESSMEN WARY OF BEIJING'S INTENTIONS

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 6 Dec 86 p 6

[Article by Peter Odlich: "Fear of Beijing's Intentions Can Be Felt Everywhere in Hong Kong--Long Debate on Future Elections"]

[Text] Hong Kong, 5 December--"The PRC guaranteed us that after 1997, Hong Kong would continue to be led by capitalist principles for at least another 50 years." The Hong Kong-Chinese banker placed a high value on this assertion at the beginning of the conversation. Again and again, there was talk of Chinese guarantees and promises. In the course of the long conversation, however, another picture came to light: Many of the bank's customers, middle-class Hong Kong-Chinese, are afraid of the future. One can still earn a lot of money in the British Crown Colony. Some day, however, this opportunity will be gone and then it will be best to have liquid assets, in order to be able to leave the city-state as quickly as possible. Clients are saying this, and the banker knows it very well. Inquiring, uncertain customers at his counters are already being advised to exchange savings accounts that until now were held in Hong Kong dollars for ones in American dollars. Very clearly, the British Queen's most recent visit to both Beijing and Hong Kong was not able to dampen the population's fear of the future in any lasting manner.

Wherever conversation comes around to Hong Kong's future, there are many in the colony who give free rein to their doubts about the Chinese promises. Various estimates indicate that at least one out of every four or five inhabitants of Hong Kong is making preparations for possible resettlement. If it were easier to obtain residence rights in other countries, this figure would be somewhat higher. But it is chiefly property owners who are intensely occupied with these plans. Young people hope to achieve the same thing through other means. Many Hong Kong-Chinese girls are more than willing to marry foreigners in order to get the desired foreign passport in the near future.

Hong Kong's fear of the future is visible not only in the fear of losing material possessions. Greater still is the fear of winding up in prison in the long run without any prospect of a proper trial once Beijing has assumed power. In this context, many people are clearly saying that even without any democratic constitution for the colony, the Hong Kong-Chinese are now protected against any infringement by the authorities, because no one can refuse them appeal to the British Parliament. But who will protect them from infringements by the Beijing-Chinese leadership in the years to come?

Hong Kong's future is currently being discussed chiefly in connection with possible free elections in the colony. Until now, Hong Kong has had no familiarity with electing a parliament with the least degree of decision-making power. The British authorities are not precisely encouraging this sort of right to participate in government. But Beijing is not interested in free elections in Hong Kong--and has not left the slightest doubt about it. The argument about this right to elections is very sharp in Hong Kong. A large portion of the population sees free elections as the only possibility for directly influencing the future leadership of Hong Kong, and also as a minimal degree of protection against subsequent infringements by the Chinese ruling powers who want to rule Hong Kong as a so-called special administrative zone.

Remarkably, however, there are also opponents of free elections in Hong Kong, who stand under no suspicion of wanting to make common cause with Beijing. Individual representatives of the upper class apparently prefer to rule the city-state without the interference of the masses of their fellow citizens. They emphasize that Hong Kong would never have achieved its current economic position without their industry and, above all, without their capital investment. The proponents of free elections, on the other hand, point out that all this still is not enough to replace an electoral mandate.

The fear of the future also appears, however, in an entirely different place than in the debates on the right to have elections. For example, the construction of a new intercontinental airport is currently under discussion again in Hong Kong. A similar project had been filed away several years ago because of the high financial cost. At the time, of course, an airport could be only considered where the incoming and outgoing planes would absolutely not have to fly over Chinese territory. In the meanwhile, however, a new site emerged through the fall, 1984, treaty between London and Beijing. Now, an even more economical location has come under consideration, where one certainly would fly over the borders. Nevertheless, the construction of a new airport in the PRC, which was under preliminary discussion has since been turned down. No one in the colony trusts an entry into Hong Kong guaranteed by China only--not even those who would be involved professionally with the construction of a new airport.

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